FINANCIAL TIMES

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U.S. Congress and the IMF, Page 14

NEWS SUMMARY

GENERAL

Pakistan unrest increases as 12 die

Pakistan's anti-government unrest entered its fourth week with no end in sight yesterday after the worst clash so far in which 12 people died, including seven policemen, at Moro, north of Karachi. Police fired on demonstrators, who apparently fired back.

The Sind Province Government announced immediate cash payments of $1,500 each for the families of the seven policemen who died.

President Zia was to return to Islamabad late last night after a six-day official visit to Turkey and a pilgrimage to Mecca and Medina. Page 2

Peronists in chaos

The Peronists, Argentina's main political group, was struggling against a major internal crisis yesterday after its national convention failed to chose a presidential candidate. Page 2

Solidarity boost

Poland's church leader Cardinal Josef Glemp yesterday defended Mr Lech Walesa and the Solidarity trades union movement against official criticism. Page 2

Protest burning

West Germany's anti-nuclear movement lifted blockades of U.S. air bases at Mutlangen, near Stuttgart, and Bitburg, near Trier, after clashes with police and an attempt by a woman protester at Bitburg to burn herself.

Mandela rally banned

The South African Government banned a weekend rally planned to launch a renewed campaign for the release of imprisoned black nationalist Nelson Mandela, the symbolic leader of the outlawed African National Congress.

Waxworks bomb

A bomb exploded outside a museum of wax figures in central Madrid yesterday causing damage but no injuries.

Chemicals assurance

Spanish health authorities have told people living near Bilbao in the north that a cloud of gas from chemicals salvaged after last week's floods is not poisonous.

Plans for poison

Forty-one barrels of poisonous dioxin waste from Seveso in northern Italy, which have been stored in Basle, Switzerland, by chemical company Hoffman La Roche since June will probably be incinerated in the spring.

Maltese shuffle

Maltese Prime Minister Dom Mintoff has resumed control of the Ministry of the Interior, which controls the army and the police, and given new jobs to all but three ministers. Page 2

Submarine action

The Swedish navy dropped three salvos of depth charges at the weekend on a suspected alien submarine near a naval base in the Karlskrona Archipelago, southern Sweden.

1984 candidate

The Libertarian Party, which favours unrestricted use of alcohol and drugs and the abolition of income tax, chose Californian lawyer David Bergland as its 1984 presidential candidate.

Briefly...

Nato started land and sea manoeuvres in Denmark yesterday.

Spanish nun was found killed in Equatorial Guinea.

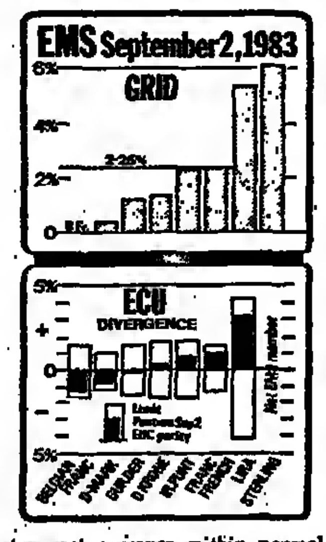
Seventeen of Nigeria's 19 states voted for new assemblies.

BUSINESS

UK tells Japan to step up imports

● BRITAIN has made a number of controversial proposals to Japan on how it could increase imports, including incentives for foreign investors to buy Japanese companies, tax incentives for importers and discouraging local production of European goods in favour of importing them directly. Page 9

● CURRENCIES traded quietly within the European Monetary System last week. Market attention once again remained focused on the dollar and the effects of further expansion in U.S. money supply. Trading volume fell towards the end of the week, with U.S. centres closed today for a public holiday. The French franc remained the strongest currency within normal trading bands, touching its highest permitted cross-rate level against the Belgian franc, the weakest member. The latter received central bank support from time to time and remained comfortably within its divergence limit from ECU central rates.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● SPANISH Government began discussing a draft budget for next year, which foresees a slightly higher budget of Pta 1,200bn ($7.9bn).

● GREECE, the European Community's newest member, hosts a meeting of the 10 nations' agriculture ministers starting in Athens today.

● SWEDEN said it will hold formal negotiations with Denmark over a disputed zone of the Baltic Sea where the Danes are drilling for oil. Page 2

● FOREIGN EXCHANGE brokers in Bahrain have agreed to lower their fees, the highest in the world, by up to 25 per cent.

● RABOBANK, the large Dutch cooperative bank, said net earnings for the first half of 1983 rose 24 per cent to Fl 301m ($100m) from Fl 243m a year earlier. Revenues rose 11 per cent to Fl 1.9bn. Page 18

● RENAULT, the state-owned French car maker is to set up an assembly plant in Egypt. Page 5. The company's British import arm has reduced its range from 50 to 38 cars. Page 9

● AGA GROUP of Sweden reported a 15 per cent increase in income before tax for the first half of the year to SKr 278m ($35m). Page 18

● JACOBS-SUCHARD, the Swiss coffee and chocolate group, expects a 20 per cent rise in profits for this year. Page 18

● BRITISH AEROSPACE Dynamics, backed by the British Government, is embarking on a $1.9bn programme to improve its Rapier air defence system. Page 6

Fierce fighting in the Chouf after Israelis pull back

BY PATRICK COCKBURN AND NORA BOUSTANY IN BEIRUT

FIGHTING broke out in the Chouf mountains east of Beirut yesterday as Druze and Christian militiamen battled to secure positions vacated by the withdrawing Israeli army.

The Lebanese army, which was to have taken over the abandoned positions to keep the two militias apart, said the Israelis had pulled out without giving them any precise time. The Israelis said the army had refused to cooperate with them.

A 3,000-strong Lebanese army brigade took the vital crossroads of Khalde, south of the airport, and will move to gain control of the coast road north of the new Israeli line, the army said.

The Druze militia moved quickly to take over the Israelis' key positions, but the Christian militia, which moved into the Chouf after Israel's invasion of Lebanon last year, seemed to have made fewer tactical gains.

The Israelis, having twice postponed their withdrawal at the request of the U.S., had rejected a last-minute plea from Mr Robert Macfarlane, the U.S. special Middle East envoy, to delay it once again.

Israel disclaimed any responsibility for battles in the Chouf mountains after the withdrawal. "We had hoped the Lebanese army would go in," Mr Dan Meridor, the Cabinet Secretary, said. "I'm sorry they didn't."

Yesterday's heaviest fighting was at the Beirut end of the highway leading to the Syrian capital, Damascus. The Druze militiamen said they were close to surrounding the town of Bhamdoun on the main road.

During the troop pullout, two Israeli jets strafed tanks moving towards the abandoned Israeli positions from the Syrian-controlled area near Bahmdoun. The Christian militia claimed that the column was Syrian, but the Druze later said the T-55 tanks were under their control.

Even if the Syrians have not engaged actively in the fighting, Damascus is showing increasing confidence in its ability to give support to opponents of President Amin Gemayel's Government in Beirut without provoking Israeli retaliation. The Syrian press at the weekend warned the Lebanese army not to move into the Chouf against Syria's Druze allies.

State-run Damascus Radio said yesterday it would not allow Lebanon to become Israel's prey." It would not pull out its own forces until Israel withdrew unconditionally.

The Lebanese Government reacted angrily to the Israeli withdrawal. A statement from Prime Minister Mr Shafik Wazzan and Foreign Minister Mr Elie Salem, said the pullout was staged outside the framework of the withdrawal pact between the two countries. The pact was "as good as frozen," the statement said.

Egypt urged the U.S. to work for a complete pullout of Israeli troops.

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U.S. rules out major trade sanctions against Soviet Union

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

President Ronald Reagan has ruled out "major" economic or political sanctions against the Soviet Union over the downed South Korean airliner and is instead seeking a "calm but firm" response with the maximum international backing.

As Mr Reagan met congressional leaders at the White House yesterday, the U.S. was understood to be still consulting its allies over measures concentrating on civil aviation restrictions to show worldwide disapproval of Soviet conduct.

A White House announcement of the retaliatory measures was delayed – apparently to allow the consultations to continue – and officials said that Mr Reagan would address the natioo on the incident tonight.

The White House made it clear over the weekend that arms talks with the Soviet Union would carry on uninterrupted in Geneva and that the U.S. was not contemplating a cancellation of the new U.S.-Soviet grain agreement or other "major" trade and economic sanctions.

The State Department, however, said that Thursday's meeting in Madrid between Mr George Shultz, the U.S. State Secretary, and Mr Andrei Gromyko, his Soviet counterpart, would concentrate "virtually totally" on taking Moscow to task for its "hideous, unacceptable behaviour" and demanding an explanation of the incideot.

Earlier the intention had beeo to discuss a wide range of East-West issues, including a possible summit meeting between Mr Reagan and Mr Yuri Andropov, the Soviet leader, next year.

The U.S. continued to reject Soviet versions of the fate of the airliner, which Washington says was shot down without warning by a heat-seeking missile fired by a Soviet Su-15 interceptor fighter. Officials insisted that the airliner was not carrying out espionage activities either for the U.S. or South Korea.

Mr Lawrence Eagleburger, Under-Secretary of State for political affairs, said that measures takeo in response would "hurt" the Soviet Union. Part of the "cost" should be congressional confirmatioo of Mr Reagan's plans to build his new MX intercootinental missile and more readiness by U.S. allies to limit East-West trade and technology transfers, he said.

While some intelligence experts here suggested that the Soviet Union might have mistaken the Korean Boeing 747 for an American military reconnaissance aircraft – of the type that regularly patrol the area outside Soviet airspace – Mr Eagleburger said he found this very difficult to believe. The U.S. knew that the Soviet fighter had come within two kilometres of the airliner and flown around it, he said.

The U.S. also now knew that the airliner had had its strobe and navigational lights on, despite Moscow's contention that it was flying without lights, he said. "What reconnaissance plane would fly over the Soviet Union with its lights oo?" he asked.

Mr John Tower, chairman of the Senate Armed Services Committee, said that if the Soviet Union could not recognise a Boeing 747 in three-quarter moonlight at high altitude, it was guilty of "terrible incompetence." The Soviet Union should know that the U.S. did not use 747s for the sort of intelligence activity that they had suggested, he said.

U.S. officials pointed out, however, that even if the Soviet Unioin had shot down a U.S. military reconnaissance aircraft rather than a civilian airliner, it would still have created a major superpower incident.

Mr Daniel Moynihan, vice-chairman of the Senate Select Intelligence Committee, said that the U.S. had not yet fully heard all the communications between the aircraft and Japanese air traffic cootrol. It was, however, known that the airliner gave a wroog report of its position and was confirmed in that position, without realising that it was wrong, he said. He did not know if Japanese ground cootrol had tried subsequently to correct the positioo.

U.S. information has been drawn largely from Japanese tapes monitoring the Soviet pilots' conversation, which according to one official, were not available to Washington until 12 hours after the actual incideot. Mr Shultz has said that there was oo way that the U.S. could have warned the aircraft because the U.S. did not know that it was in jeopardy until after the event.

The Japanese recordings cover only about half an hour of the 2½ hours in which the airliner was in Soviet airspace. The tapes had first to be translated from Russian into Japanese and then into English.

Mr Reagan produced some of the tapes at his briefing of Congressional leaders yesterday. Mr Howard Baker, the Senate Republican leader, said afterwards that it was "clear beyond any doubt" that the Soviet Union did shoot down the airliner.

He said the pilots talked about arming and disarming heat-seeking missiles, then re-arming, "locking on" and firing. It was not clear from the tapes, however, whether orders to fire had come from ground control. Most experts here believe that in the 2½ hours of tracking the airliner, the local Soviet military commander must have sought higher

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Brazil ready to sign letter of intent with IMF

BY ANDREW WHITLEY IN RIO DE JANEIRO

SR ALFONSO PASTORE, Brazil's new ceotral bank governor, is expected to sign the country's much revised letter of intent to the International Monetary Fund withio the next few days.

Key aspects of the agreement covering the renegotiation of Brazil's international debts were revealed by Sr Ernane Galveas, the Finance Minister. Foreign creditors were reassured that the resignatioo of Sr Carlos Langoni as central bank governor oo Friday would oot affect the rescheduling.

Sr Galveas said Brazil was aiming at a trade surplus of $9bo in 1984, and a curreot account deficit of between $6bn and $6.5bn. The international banks which form the Brazilian Advisory Committee are known to want to see the deficit reduced to nearer $5bn.

The Finance Minister also defended the inflation target for next year of 55 per cent, a figure criticised by the outgoing central bank governor on Friday. It was not "an absurd percentage" Sr Galveas commented. But he added that the real goal was to reach a monthly rate of 2.5 per cent by the last quarter of 1984.

Inflatioo, Sr Galveas emphasised, was Brazil's "enemy number one." He said one reason why the new letter of intent had been delayed until now was that M Jacques de Larosiere, the IMF's managing director, had wanted to wait until the August inflatioo figure was known.

This has not been announced yet but it is expected to be between 9 and 10 per ceot, producing an annual rate of inflation of over 150 per cent.

No official statement has been made on the resignation of Sr Langoni, who departed in a blaze of criticism of the Government's economic policies. But Sr Antonio Delfim Netto, the Planning Minister, has assured President Joao Figueiredo there would be no traumatic consequences for the Brazilian debt renegotiation.

Sr Delfim Netto has emerged from the Langoni episode with his authority apparently enhanced after months of conflict with the former central bank governor over domestic ecooomic policies and differences of opinion over foreign debt tactics.

The Finance Minister underlined the point oo Saturday, saying that President Figueiredo had delegated full powers over economic policy to Sr Delfim Netto. "We are going to have to work with an iron budget," Sr Galveas said.

Sr Galveas also made the surprising disclosure that Brazil had delayed $400m worth of debt paymeots falling due to Western governments since last May. He is to attend talks on renegotiating Brazil's government-to-government debt in Paris in mid-October.

No more resignations are expected at the central bank beyond those of Sr Langoni and Sr Antonio Chagas Meirelles, a senior director who also resigned on Friday, and a third director, Sr Hermann Wagner Wey, who was leaving on health grounds.

But there are widespread reports that another heavyweight figure on the Brazilian economic scene, Sr Luis Sande, the president of the Federal Developmeot Bank, the BNDES, is to be replaced within the next few days.

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Chinese plan to purge 100,000 criminals

By Mark Baker in Peking

CHINA has ordered the arrest of more than 100,000 suspected criminals and stronger penalties as part of a national purge on lawlessness.

The purge is expected to lead to a wave of mass executions and the sending of tens of thousands of people to remote labour camps.

A Communist Party circular, believed to have beeo directed by China's supreme leader, Mr Deng Xiaoping, has set police a target of between 100,000 and 150,000 arrests by next February, including 30,000 arrests in Peking alone.

A week-long session of the standing committee of the National People's Congress, which ended on Friday, was dominated by coocern over a recent jump in violeot crime, theft and fraud.

The committee has extended the death penalty to people convicted of leading armed gangs, operating "reactionary and superstitious secret societies," organising prostitution, selling brides and illegally dealing in weapons and explosives.

The anti-crime purge appears to be the biggest drive to restore social order in China since the Cultural Revolution.

Already more than 5,000 people, mostly unemployed youths, are believed to have been rounded up in Peking. A total of 120 convicted criminals have been shot in mass executioos in Peking, Shanghai and Tianjin, and five other members of a gang of robbers were sentenced to death in Shanghai late last week.

Mr Deng publicly backed the purge 12 days ago at a rally in Peking's Workers' Stadium attended by thousands of city workers. Shortly after the rally, 30 people, mostly convicted of murder or rape, were executed.

The purge appears to be directed particularly at petty thieves and gangs of unemployed youth which have spread in China's larger cities with the relaxation of restrictions on people's movements.

The party circular is believed to direct that people convicted of petty offences during the purge should be reformed at labour camps or ordered to join work teams in Qingbai province, in the isolated far west of China.

The chairman of the standing committee, Mr Peng Zhen, said at the weekend that tougher law enforcement would restore social order to the good levels of the 1950s and early 1960s, before the upheaval of the Cultural Revolution.

European nations to unveil plan for fast breeder collaboration

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

A MASTERPLAN for international collaboratioo between six European nations for the future development of the plutonium-fuelled fast breeder type of reactor is expected to be revealed today.

The six – Britain, France, West Germany, Italy, Belgium and the Netherlands – have agreed to collaborate on four different levels in developing the commercial fast reactor.

Agreements are being signed between the research agencies, the electricity industries and the nuclear manufacturing industries of the six, backed by a memorandum of understanding between governments.

For Britain, the collaboration assures, the future of the Dounreay establishment of the UK Atomic Energy Authority in the north of Scotland, where Britain's £100m ($149m) a year fast reactor developmeot effort is centred.

The international collaboration has been negotiated by Sir Peter Hirsch, chairman of the UK AEA, which operates a 250 MW prototype fast breeder reactor at Dounreay.

Dounreay will become a key part of the collaboration, cootributing experience and facilities that are not available elsewhere in Europe, notably in the recycling of spent fuel from fast breeder reactors and the safeguarding of plutonium against misuse.

The fast breeder reactor is being developed to ensure the future of nuclear energy when uranium, the present ouclear fuel, becomes scarce.

It is fuelled with plutonium, by-product of present-day reactors, but the reactor simultaneously breeds additional plutonium fuel from the non-fissile part of uranium, now discarded by the ouclear industry.

It is estimated that Britain already has greater energy reserves stockpiled in this "waste" uranium than it has in coal reserves.

At the same time, Britain's stockpile of plutonium from present-day reactors is growing at the rate of about three tonnes a year.

The six nations will collaborate in the development and design of the next fast breeder reactor in Europe.

This is expected to be a successor to Superphénix, the 1,200 MW demonstration plant in south-west France, scheduled to generate its first electricity next year.

Superphénix is a collaboration between three of the six – France, West Germany and Italy. These three, together with Belgium and the Netherlands, are also partners in a collaboration which is building a prototype fast breeder reactor at Kalkar in West Germany.

Superphénix 2, likely to be about 1,500 MW and expected to be built in France, could involve the engineering and electricity industries of all six partners, with the aim of

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OVERSEAS NEWS

Israelis leave locals to fight it out in Chouf

BY DAVID LENNON, NEAR THE AWALI RIVER, LEBANON

ISRAELI FORCES withdrew from the Beirut area and the Chouf Mountain yesterday, leaving local forces to fight it out for control of the evacuated territory.

By late last night the Israeli troops had virtually completed the pullback to the new defence line on the Awali River.

Israeli tanks and armoured personnel carriers began pouring southwards at 5 pm on Saturday, despite a last-minute plea by the U.S. to delay the withdrawal.

While most travelled by land, some soldiers and their equipment were evacuated by sea. They departed in landing craft from the same beach north of Sidon where they originally landed 15 months ago at the beginning of the Israeli invasion of Lebanon.

Israel pulled out of a 600 sq km chunk of territory, removing their occupation of land populated by 200,000 Lebanese.

This modest withdrawal is designed to remove the Israeli forces from some of the most troublesome areas they occupied. But it still leaves Israel in control of most of the territory captured in last year's invasion.

South of the Awali River, Israel holds sway over more than 500,000 Lebanese in a 2,800 sq km area stretching 40 miles north of the Israeli border.

The new Israeli front line, in Lebanon, which is meant to be only temporary, cost U.S.$40m (£30m) to build. It is not a rigid, Maginot line, but made up of fortified positions and look-out posts. Above all, Israel is relying on the difficult nature of the terrain to keep out guerrillas.

Perhaps underlining the difficulties still facing Israel, our convoy narrowly escaped an ambush after withdrawing well inside the Israeli-controlled area. A bomb blew a wall across the main coastal highway between Sidon and Tyre seconds before we reached the spot.

Dusty and weary Israeli soldiers who had evacuated the Chouf during the night were still relieved, however, to have reached the relative calm of the coast.

"I landed exactly at this spot 15 months ago," explained an unshaven young officer waiting to take his armoured personnel carrier on to the waiting landing craft.

"I never thought we would be here so long. It all went wrong a month after the invasion when, instead of taking our own decisions, we began to react to events and allowed ourselves to be dragged along by others," he said wearily.

The officer added: "I hope we won't have to come back here. No one wants to help the Druze and Phalangists in the Chouf after the experience with them of the past year."

Israeli spokesmen said the withdrawal from the Chouf and Beirut area went smoothly and was ahead of schedule. At Damour, on the coast, some youngsters threw jasmine and sprigs of heather at the departing troops.

The military spokesman said that all Israel's efforts to bring about agreement between the Druze, Christians and Moslems had failed.

Mr Yitzhak Shamir, the Israeli Foreign Minister, yesterday began detailed discussions with Right-wing and religious parties to set up a new coalition Government, Reuter reports from Jerusalem.

Mr Shamir, 67, who last week took over the leadership of the Rightist Herut (Freedom) party, has already secured a commitment in principle from 64 of the 120 members of Israel's Knesset to serve under him.

The 64 deputies have called on President Chaim Herzog to nominate Mr Shamir to form Israel's next government after Prime Minister Menahem Begin formally resigns.

One of Mr Begin's senior aides said yesterday the Prime Minister was still delaying submitting his letter of resignation.

Philippine opposition calls for civil disobedience

BY EMILIA TAGAZA IN MANILA

A MAJOR Philippine opposition group, invoking the political ideas of its slain leader Mr Benigno Aquino, called during the weekend for civil disobedience as a means to country.

The People's Power Party (Lakas Ng Bayan), under which Mr Aquino ran in 1978 as candidate for the National Assembly (parliament), met in full force and declared that the late Mr Aquino's idea of restoring a free government was through non-violent means, such as civil disobedience.

More killed in Pakistan violence

BY MOHAMMED AFTAB IN ISLAMABAD

TWELVE people were killed on Saturday in the worst shooting incident in Pakistan's three-week-old anti-Government agitation, opposition politicians said.

The shooting took place at Moro, 150 miles north of Karachi in Sind Province, when police opened fire on opposition demonstrators. The demonstrators are reported to have opened small arms fire on the police.

Five policemen died. The opposition said seven demonstrators were also killed in the clash.

With these latest killings, the number of deaths during the anti-Government campaign has now touched a total of 52. The Government, however, puts the total at 43, most of them killed when police opened fire on demonstrators.

More than 3,000 opposition politicians and political activists have been arrested in the past three weeks while about 250 of them have been sentenced to up to 10 lashes and one year's jail each for violating the martial law ban on political activity.

Glemp calls on Polish authorities to negotiate

By Christopher Bobinski in Warsaw

POLAND'S CHURCH leader, Cardinal Jozef Glemp, yesterday defended Mr Lech Walesa and the banned Solidarity trade union movement against official criticism and reiterated a call for dialogue between rulers and ruled. Speaking at Czestochowa, at harvest festival ceremonies which drew tens of thousands of farmers, Cardinal Glemp's remarks reflect the church's bitter disappointment that so little progress has been made to resolve Peland's political problems since the Pope's visit here in June.

Cardinal Glemp warned that continued delays might cause a western church aid schemo for Polish farmers to founder if delays in negotiating the detail with the authorities persist. Polish leader General Wojciech Jaruzelski has approved in principle a scheme worth $2bn (£1.3bn) over five years in which Western churches are to raise the money.

The cardinal implicitly rebuked Mr Mieczyslaw Rakowski, a deputy premier, for the way he treated Mr Walesa at a Lenin shipyard meeting at the end of August

Madrid plans higher deficit

A SLIGHTLY higher deficit of Pta 1,200bn (£5.3bn) is planned in the draft 1984 budget which the Spanish Socialist Government began discussing this weekend. David White writes from Madrid.

The deficit figure, equivalent to 5.5 per cent of gross domestic product, compares with a shortfall of Pta 1,100bn in the 1983 budget, belatedly presented in April. The current year's figure, similar to 1982's, was trimmed from an initial target of Pta 1,350bn—or 6 per cent of GDP—to make allowance for cost overruns. The figures could be modified following the Basque flood disaster.

Mintoff reshuffles Malta Cabinet

ONE MINISTER has lost his job and all but three of Maltese Premier Mr Dom Mintoff's Ministers have been assigned new responsibilities in a mysterious cabinet reshuffle announced over the weekend. Godfrey Grima reports from Valeta.

Mr Mintoff has again taken over the Interior Ministry, with responsibilities for the police and the army, Interior Minister Mr Lorry Saut has been moved back to the Ministry of Public Works and Dr Carmelo Misud Bonnici has been transferred from the Ministry of Labour to that of education

Chad calm after one-day battle

NORTH-EASTERN Chad was calm yesterday after a one-day battle which the Government of President Hissene Habre hailed as a morale-boosting victory over Libyan-backed revels, Chad officials said, Reuter reports from N'Djamena.

No fighting was reported from the Oum-Chalouba area some 640 km (400 miles) from N'Djamena, where the Government said a large rebel force attacked his garrison last Friday, they added.

War with Iran will continue, Iraq vows

IRAQ marked the third anniversary of its war with Iran yesterday with a vow that it would continue fighting until the end of the century unless a just solution to the conflict was reached, Reuter reports from Baghdad.

"If Iran continues its aggression, Iraq will continue to fight in defence of its land and pride," Adnan Kheirallah, Defence Minister, said in an interview with the Government newspaper Al-Jumhuriya.

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French set to grill Gromyko on shooting of aircraft

BY DAVID HOUSEGO IN PARIS

MR ANDREI GROMYKO, the Soviet Foreign Minister, is due in Paris today for a working visit that seems likely to be transformed, by the shooting down of the South Korean airliner, into a major diplomatic and domestic political event.

French indignation at the incident is expected to be reflected in demonstrations against Mr Gromyko, who will be in Paris for 24 hours. He will also come under strong questioning from the French Government, which has both condemned the Russian action and joined Canada and Japan at the United Nations in demanding an international inquiry. Today's talks will be the first opportunity that a senior Soviet Minister has had to give a first-hand account of the incident since is occurred.

Reflecting its domestic political significance in a country in which the most pro-Soviet of the major Western Communist parties is a partner in the coalition Government, M Jacques Chirac, the neo-Gaullist Opposition leader, said the visit should have been called off.

The Government decided against that course. But the Socialist Party has traditionally reacted sharply to instances of Russian brutality. It was because of Russia's actions in Poland and Afghanistan that President Francois Mitterrand decided to adopt a far cooler attitude to the Soviet Union than the special relationship cultivated by former President Giscard d'Estaing.

Today's visit is thus the first to Paris of the Soviet Foreign Minister since the Socialists took office. M Claude Cheysson has only visited Moscow once—in February this year when the two sides took stock of the differences that separate them.

Since then the only major milestone in Franco-Soviet relations has been the expulsion of 47 Russian diplomats in April. At the very least M. Gromyko's visit was seen as an attempt to keep the dialogue moving while, at the same time, explaining more fully Russia's latest offer to scrap some of its SS-20 nuclear missiles based in Europe.

The airliner incident will inevitably place fresh strains on Franco-Soviet relations. But, it will give the French an occasion to put across to the Russians their strongly-held views that French and British missiles must not be included in any agreement that might be struck between the U.S. and the Soviet Union at Geneva. The Russians have offered to limit their European-based SS-20s to 162, or the number of missiles directed at the Soviet Union that France and Britain have.

This issue also spills into French domestic politics because the Communist Party—in open defiance of M Mitterrand—supports the Russian view. M Georges Marchais the Communist leader, after talks in Moscow with President Yuri Andropov in July, said that, if France counted on U.S. defence support, then the Russians had the right to take into account French nuclear weapons. The French Administration's fear is that the French Communists are being used by Russia to make it seem that France is the major obstacle to an agreement in Geneva.

The Communists' ability to press this argument successfully will be undermined domestically by the shooting down of the airliner.

The Communist Party's reaction has so far been embarassed and ambiguous. M Roland Leroy, director of the Communist daily l'Humanite said he felt "deep emotion" but there were "areas of darkness" that needed clearing up.

Peronists in disarray after failure to name candidate

BY JIMMY BURNS IN BUENOS AIRES

THE PERONISTS, Argentina's major political grouping, were yesterday struggling to avert a major internal crisis after their national convention adjourned in disarray without naming a presidential candidate.

The planned two-day convention broke up after less than an hour on Saturday because of the absence of more than a third of the delegates. Key party officials, including the nominee for the governorship of Buenos Aires, Sr Herminio Iglesias, were prevented from attending the convention after their election in the capital's local party congress last month had been declared illegal in a last-minute ruling b ythe country's electoral court.

Sr Iglesias has been publicly accused by his party rivals of electoral fraud and of alleged links with the illegal drugs trade and prostitution.

The start of the convention was further undermined by the growing support for the nomination as presidential candidate of Sra Maria Estela "Isabelita" Peron, the wife of the late Gen. Juan Peron, who is still exiled in Madrid.

Some party delegates proposed that the convention should be postponed until the military junta agrees to drop charges of corruption against Sra Peron

In spite of widespread media predictions to the contrary, Sra Peron failed to arrive in Buenos Aires on Saturday morning.

Sra Peron, who was toppled by the military coup in 1976, and who still is the titular head of the Peronist party, has remained silent about her intentions. The enigma surrounding her political future has been exploited by an orthodox faction of the party, who see her as the only "legitimate" heir of Gen Peron, and who are deeply opposed to the nomination of Sr Italo Ouder, a former senator.

Sr Ouder, a compromise candidate, has emerged as front runner in the internal party elections for convention delegates that has taken place over the past two months.

The divisions within the Peronists are a further setback to the party's chances in the presidential elections on October 30. The Peronists may rival the Radicals, who have been making major inroads into public opinion ever since they united two months ago around the candidacy of Sr Raul Alfonsin, a lawyer and outspoken defender of human rights.

Salvador rebel offensive cuts route to Honduras

BY TIM COONE IN TEGUCIGALPA

THE Left-wing FMLN-FDR guerrillas have launched an all-out offensive against the eastern town of San Miguel in El Salvador, according to military officials in San Salvador.

The town is located on the strategic Pan-American highway and the attack has effectively cut the only route southward leading to Honduras and Nicaragua.

San Miguel residents said that heavy fighting began late on Saturday night and was continuing without let-up well into yesterday.

Sr Ruben Zamora, one of the FMLN-FDR leaders, who met Mr Richard Stone, President Reagan's special envoy to Central America in July, told the FT recently that the guerrillas were shortly to take the war "into the heart of the country." The aim, he said, would be to negotiate from a position of strength with El Salvador's Government and the U.S.

The army's strategy has been to try to clear the guerrillas out of the central provinces and to bottle them up in their traditional strongholds of Morazan and Chaletenango, bordering Honduras. As the army strength increases with the training of the new battalions, it intends going over to the offensive in these two provinces also.

OVERSEAS NEWS

PROPOSED CHANGE TO IRELAND'S CONSTITUTION HAS CLAIMED POLITICAL AND SOCIAL CASUALTIES

Irish abortion debate widens rifts

BY BRENDAN KEENAN IN DUBLIN

THE 2m voters in the Irish Republic go to the polls on Wednesday in one of the strangest exercises of the franchise they have ever undertaken. What began ostensibly as a referendum on the issue of abortion has turned into a bitter and complex debate on the nature of Irish society itself.

In the process, the reputations of most of Ireland's political leaders have been damaged, the Roman Catholic hierarchy has become involved in politics in a way not seen for 30 years and relations between the churches have deteriorated into open argument.

Abortion is illegal in the Republic but anti-abortion groups feared it might be introduced by judicial decision. In the past the European courts have found against the Republic's laws on contraception and, more recently on Northern Ireland's law on homosexuality.

A pressure group was formed to change the Irish constitution to make it impossible for the anti-abortion laws to be struck down.

Their campaign was mounted just as the present Irish premier, Dr Garret FitzGerald, and his rival, Mr Charles Haughey, were locked in two neck-and-neck elections – in 1981 and 1982 – with neither able to achieve an overall majority.

Both were forced to promise that they would amend the constitution but when Dr FitzGerald returned to power last year he decided that Mr Haughey's text for an amendment was defective.

However, he failed to get his own proposal through Parliament, when eight members of his Fine Gael party abstained on the vote. The episode is widely regarded as having damaged Dr FitzGerald's standing in the party. The biggest casualty was his policy of making the Irish constitution less Catholic in tone – the so-called "constitutional crusade" which now looks like a very empty policy indeed.

While Fine Gael has remained openly divided on the issue, Mr Haughey's Fianna Fail has stayed resolutely out of the argument. This has been widely seen as a cynical tactic and neither of the major parties can claim to have won any victories in the campaign.

However, the leaders of the two parties were last night expected to clarify their positions. Mr Haughey planned a television appearance and Mr FitzGerald's office was expected to issue a statement.

The biggest surprise has been the vigour of the anti-amendment campaign, in a country where hardly anyone argues publicly in favour of abortion. Instead, the opponents of the amendment argue that it is sectarian, harmful to relations between Catholics and Protestants in the whole of Ireland and is so vague that it could, on one interpretation, allow legal abortion or, on another, make some forms of contraception legal.

They scored a notable coup when the British broadcaster and anti-abortion campaigner, Mr Malcolm Muggeridge, refused to speak in support of the amendment, on the grounds that the wording was imprecise – "devil's phrases" as Mr Muggeridge put it. Mr Muggeridge, 80, is a recent convert to Roman Catholicism.

Opinion polls suggest that the voters are confused. They show a majority in favour of the amendment but over half the voters think it should never have been held, while almost a fifth have yet to make up their minds.

It may have been these figures which persuaded the Roman Catholic bishops to intervene publicly. As they put it in their statement: "A decisive 'Yes' to the amendment will, we believe, in the words of Pope John Paul II in Limerick, constitute a 'witness before Europe and before the whole world to the dignity and sacredness of all human life, from conception until death.'" A narrow win, never mind a defeat, might signal exactly the opposite and the bishops, while saying that Catholics were entitled to vote "No" left no doubt about their own position.

At the same time, the Protestant churches stated their "unequivocal opposition" to the amendment, on the grounds that complex moral issues should not be written into the Irish constitution. Such open involvement in politics and public disagreement by the churches is virtually unprecedented in a country where clergymen are all too conscious of the sectarian tensions beneath the surface.

Among the lay campaigners, anti-amendment barrister Mr Adrian Hardiman, speaks of a "moral police" who want to go back to the rigid values of the 1950s. A leading conservative politician, Mr John Kelly, says he will vote "Yes" reluctantly because he fears a defeat would be exploited by left-wing elements. The campaign has crystallised into a debate on the kind of society Irish people want: Catholic and conservative or pluralist and liberal. Wednesday's result may be

Dr Garret FitzGerald

so narrow as to be inconclusive. It will certainly do nothing for the estimated 5,000 Irish women who have abortions in Britain each year.

The casualties already include the reputations of Dr FitzGerald and Mr Haughey, inter-church ecumenism and, perhaps, the end of the concept of a "new Ireland" which could unite the two religious traditions.

Portugal struggles with outmoded exchanges

Diana Smith gets caught in Lisbon's tangled telephone lines

"MADAM," said the friendly international operator, "the trouble in dialling abroad could last until the end of the week, the month, or the year."

Such information, however amiably delivered, can undo bankers, diplomats, businessmen and journalists who, because of their profession, must make several foreign telephone calls a day from Portugal – not to mention local calls – on a hideously overloaded network which treats you to a busy signal even before you have dialled the first digit.

If you have urgent information to impart to a head office or colleague in Bonn, London, Paris or Madrid it might be quicker and healthier to catch the first plane. Otherwise you may suffer not only delays but severe stress.

At the moment, dialling elsewhere in Europe is a masochistic act on a par with bashing yourself on the head with a mallet. In the move to switch European lines from the old 07 circuit to the new 01 circuit, so the friendly international operator told us, lines have been mangled and tangled or lost. It will take weeks, months, or perhaps years to unravel the snarls.

You pick up your receiver wondering if today is your lucky day when a call is completed on the first try, and dial 01. That brings a busy signal as soon as you dial 0, or, as a special treat, the dialling tone.

An hour later, when the air has turned blue from your curses, your index finger or pencil end is worn down and your eardrums echoing to beep-beep-engaged-beep-beep, and you prepare to dash your telephone against the nearest wall, you suddenly complete the number without beep-beep.

Flushed with success, you await the sound of a phone ringing somewhere in Europe, the silence drags on, then you hear in the dim distance beep-beep-engaged-beep-beep.

Not a London beep-beep, a Lisbon beep-beep. The sound is unmistakable. The gremlins have chosen you for a day of phone fun and there is nothing you can do, apart from taking medication, strong drink or a remedial walk.

There are about 1.5m telephones in Portugal serving – if that is the word – 9m people. Statistics tell us that Portugal is eight years behind Greece, and 12 behind Spain in telephonic density.

Lisbon has the highest telephone density at about 700,000. An argument could continue for days about which is more cluttered, its road traffic or its telephone traffic.

Wrong numbers are reached with such frequency, despite careful dialling, that you can strike up new friendships with the hapless person who repeatedly dials one number and gets another by courtesy of unco-operative switching mechanisms.

Patience vanishes when whims of tired central Lisbon exchanges plunge you into a six-way conversation, punctuated by appeals from frantic subscribers to those exchanging pleasantries and obscenities at the core of the snarl to hang up and let serious people make urgent calls.

When my telephone locked into one such marathon for 10 hours, the engineer, whom I had summoned in the hope he could rescue me from mechanical madness, said: "Nothing to be done. Wait until the exchange clears itself."

At the heart of the problem is a slowness to make the massive but essential telecommunications investments Portugal needs to push its ailing phone system into modern times.

There are improvements – most telephones are now automatic rather than manual nationwide – but that does not help when you dial a Lisbon number and silence greets you. You report that that number has gone dead.

"Oh no," says the operator, "it's just that the exchange is too tired to give the busy signal when the party is talking. Be patient." I must go for another remedial walk.

CONTRACTS AND TENDERS

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OVERSEAS NEWS

50,000 DRESSES A YEAR

Italian town steals a wedding march on its fashion rivals

BY JAMES BUXTON, RECENTLY IN PUTIGNANO

ITALY is full of single-product towns where, by feverishly imitating each other, most of the small businessmen manufacture the same thing – whether it be shoes, jewellery or terrazzo tiles. But there can hardly be a more unusual single-product town than Putignano.

It is a sun-bleached place on a little hill south of Bari in the region of Puglia, right down in the heel of Italy. As you drive into it, you notice that many of the shops and most of the signs are concerned with only one thing – wedding dresses.

The little town, with a population of 25,000, claims to have a bigger share of Italian wedding dress production than anywhere else in the peninsula – including Naples, Rome and Florence.

Figures are hard to come by, but the town probably produces nearly 50,000 wedding dresses a year – of which up to half may be exported. To put that in proportion, there are about 270,000 church weddings in Italy a year, and the bride always wears an elaborate white dress.

"Just look at these orders," says Sig Pietro Shiroli, an energetic little man with a black moustache who runs Val and Max, one of the main companies. "We've got orders from Tokyo, Dubai, Saudi Arabia – all for dresses we have designed. We get masses of orders from France, and our dresses sell at Dickens and Jones and Harrods in London."

It seems surprising that such a relatively remote town should become so prominent in a business more associated with the fashion houses of Milan or Florence than the rival south. Yet it is typical of the way small towns contribute to Italy's expanding exports of clothing. Last year these were worth L8,440bn ($5.25bn) – nearly 9 per cent of all exports – with much of the total produced in little workshops rather than big factories.

"It all started here with two sisters in the early 1950's" says Sig Sbiroli. "They used to make wedding dresses for the village and local girls used to help them. My wife Orestina got involved and, soon after we were married, we decided to go into business together. That was 1959, when she was 18 and I was 24."

The husband-and-wife team has swollen into a company employing about 200 people, nearly half of them working only on wedding dresses which sell from L800,000 to L1.5m. However, his is not the only wedding-dress business in Putignano. His sister started up her own concern at about the same time as he did, there is a third larger one and many more smaller companies.

There are other clothing companies in Putignano, but only the wedding-dress makers are presently flourishing. "People still get married, whether there is a recession or not," says Sig Sbiroli. "Though they are often spending a little less on dresses now. That's why we like these good foreign orders." About half his production of 18,000 dresses a year is exported, and wedding-dress sales are about L2bn.

Though the Putignano wedding-dress companies have agents in London, Paris and elsewhere, their main business is done at the big twice-yearly fashion shows in Milan, Florence and Paris.

Does Putignano have the romantic atmosphere that one might expect from its new vocation? On a recent, hot dusty morning there, you couldn't hear strains of Mendelssohn's Wedding March.

But the town does have the longest and one of the most elaborate carnivals in Italy, beginning on December 26 rather than just a week or two before Lent, and that may be the real origin of its fascination with the business of dressing-up.

WORLD TRADE NEWS

Six UK companies in bid for Indian telephone contracts

BY JOHN ELLIOTT IN NEW DELHI

SENIOR EXECUTIVES of six British electronics companies are this week trying to pave the way for major telecommunications orders from the Indian Government following the failure of the UK's System X telephone system to win two important contracts in the country during the past 12 months.

Escorted by Mr Kenneth Baker, British Minister of State for Industry, the companies involved are: GEC, which lost the orders for two telephone exchange factories sought for System X to CIT-Alcatel of France; Plessey, which has recently been hoping to win an order for rural exchanges worth up to £28m; Marconi, BICC, SIC, and British Telecom.

The British companies are holding a conference in New Delhi tomorrow to advertise their expertise at providing digital transmission systems to link up the new exchanges. They are also interested in orders for small electronic PABX exchanges, where they face French, Japanese and American competition, and for push-button telephone receiver production, in which there is similar international rivalry.

But the companies have arrived in India at a time when Government departments involved in electronics and telecommunications are becoming more determined to order from domestic suppliers.

Although the Government has been relaxing its controls on electronics developments, the line is hardening against imports for major capital projects. Senior Government officials argue that software has now replaced hardware as the major component of telecommunications projects and that this cannot be satisfactorily bought abroad because foreign companies do not disclose the information on which their software is based.

India must therefore prove capable of providing software expertise itself, at a time when its telephone system is set for rapid expansion.

Officials argue that India was justified in giving CIT-Alcatel orders for two urgently-needed telephone exchange factories in the past year because the company's mixed analogue and digital technology was proven, unlike the more modern all-digital exchanges offered by System X and Siemens.

But CIT-Alcatel is not revealing its software secrets and the departments of electronics and communications, after many internal squabbles, are now launching a programme to develop India's own advanced fully-digital system which would be produced in a third factory within three years.

This target is generally regarded as unrealistic as is a provisional development budget of $60m. But the short timescale has been set to try to galvanise India's notoriously slow bureaucracy into action fast enough to produce results before they become outdated.

UK companies such as GEC are investigating consultancy and other orders that might flow from this project. GEC is also tendering to provide expertise and hardware for the telephone handsets (codenamed IXT for inexpensive telephones). Along with the small electronic PBXS, in which Plessey is interested, these telephones will be made in factories owned by individual provincial states' electronics and by the Government-owned Indian Telephones Industries.

Our World Trade Staff adds: Marconi Communications Systems together with GEC Australia has won a contract worth A$50m (£29.25m) to supply advanced digital data equipment to Telecom Australia.

The initial development of the equipment will take place in the UK and Australia, with full manufacture to be transferred to a new factory at the GEC industrial estate in Sydney with facilities similar to the Marconi plant at Chelmsford.

Marconi is the major supplier of Kilostream equipment to British Telecom.

World Economic Indicators

INDUSTRIAL PRODUCTION

(1975 = 100)

	July '83	June '83	May '83	July '82
U.S.*	148.6	146.0	144.4	138.8
	June '83	May '83	Apr. '83	June '82
UK	104.6	103.8	103.8	103.7
France	118.7	118.7	119.7	116.8
W. Germany	118.9	116.8	120.0	117.8
Italy	118.5	121.1	118.9	125.8
Netherlands	105.0	108.0	113.0	103.0
	May '83	Apr. '83	Mar. '83	May '82
Japan†	102.7	102.4	102.6	100.3

* 1967 = 100. † 1980 = 100. Source (except U.S. and Japan): Eurostat.

Renault wins contract to build Egypt car plant

By Charles Richards in Cairo

EGYPT has selected Renault of France to set up a car assembly plant in the country.

Renault was chosen against competition from Volkswagen of West Germany and Peugeot of France because it offered a higher local content in its bid and lower proposed end sale price.

Mazda, Datsun, VW and Peugeot were the original contenders for the contract to set up the assembly plant. The Egyptian Government only wanted one extra factory in addition to the existing public sector NASR car company which assembles Fiat cars, trucks and buses.

The two Japanese manufacturers dropped out early and VW were never serious contenders since they did not take up an option they had some years ago. In the end the contest was a straight fight between Peugeot and Renault.

The new plant is planned eventually to produce 35,000 Renault 5 and 9 passenger cars a year. NASR is present manufactures some 22,000 Fiats and the Arab American Vehicles Corporation, a joint venture with American Motors, assembles Jeeps and a small number of Fiat Ritmos.

Thirty per cent of the equity in the E£10m new company will be held by Renault, 20 per cent by private Egyptian and Qatari interests and the rest between Chase National Bank of Egypt and the Societe Generale Nationale.

Over the past year Egypt has approved the establishment of two truck assembly plants by GM/Isuzu and Mercedes Benz.

Danish group wins American Airlines order

By Hillary Barnes in Copenhagen

CHRISTIAN RODSING, the fast-growing Danish computer company, announced a NKr 250m (£16.77m) order from American Airlines for a booking and reservation system. It is thought to be the biggest single order a Danish electronics company has ever won, and follows an order to Rodsing earlier this year for a similar system for Air Canada.

The Rodsing system, for American Airlines, will be based on computers in 14 cities, linked initially to 65,000 terminals across the country and in Canada. It will be able to handle 1,100 reservations per second. The system can be expanded later to over 100,000 terminals.

Rodsing raised DKr 107m (£7.38m) through a private share placement in London and The Netherlands earlier this year and plans to seek quotation of its shares in either London or New York as well as Copenhagen next year. Its turnover bas increased fcom DKr 84m in 1978 to DKr 414m last year, when sales increased by 50 per cent.

Tim Coone, recently in Managua, reports on efforts to set up a trade link network

U.S. hostility forces Nicaragua to diversify

VISITORS TO any new construction site in Nicaragua—the new deepwater port on the Atlantic coast, the interoceanic railway, the Malacatoya sugar refinery, or the forest products factory in Zelaya Norte—will notice that the equipment moving the earth and lifting the girders is generally made in Eastern Europe.

But the Nicaraguans have not turned only to Eastern Europe for help since their trade was hit by U.S. hostility. Unlike Cuba, which reacted to a U.S. trade blockade in the 1960s by trading almost entirely with the Comecon countries, Nicaragua has tried to diversify, setting up links with Eastern and Western Europe, Latin America and the Middle East.

Sr Alejandro Martinez, Nicaragua's Minister of Foreign Trade, and one of the most dynamic of Nicaragua's new breed of revolutionary ministers said: "We cannot afford to be dependent on either of the superpowers, politically or economically. Our aim therefore is to diversify our trade."

The cut in Nicaragua's sugar export quota to the United States earlier in the year was a dramatic example of the increasing fragility of the country's trade with the U.S.

A halt to trade finance has also resulted in a drop in imports from the U.S. from around 30 per cent of total imports before the revolution four years ago to less than 16 per cent so far this year.

The Nicaraguan Government has drastically cut imports to plug a yawning deficit on the current account of the balance of payments, trimming it to a more manageable $250m. Most of the cuts have fallen on trade with the U.S. and with Nicaragua's Central American neighbours, who are equally short of foreign exchange.

Despite the overall cut in imports trade with those countries prepared to grant Nicaragua trade credits has grown. Sr Edmundo Jarquin, the director of Nicaragua's international reconstruction fund (FIR), the body responsible for soliciting and channelling international aid and finance for the country, said that pressure from the U.S. had blocked the most liquid sources of finance available, through the private foreign banks and the multilateral institutions.

Lending from institutions such as the World Bank and the Inter-American Development Bank (IDB), has dropped sharply, from $213m in 1979 to only $22m this year, according to Sr Jarquin. Private bank lending has meanwhile amounted to only $11m in new loans since 1979, and these were only 90-day credits.

"Nicaragua's trade pattern is being increasingly determined by new sources of bilateral finance and trade credits, and our sources of technology are increasingly linked to these credits," he said.

France, Spain, Cuba and the Soviet Union have all registered sharp rises in their exports to Nicaragua in the past two years as a result of favourable trade agreements. Mexico has registered the sharpest rise of all, initially as a result of oil sales but increasingly as a source of manufactured goods, because of its willingness to be flexible over payments.

Nicaragua has run up a $300m trade debt to Mexico, payment of which has now been resolved following a visit to Mexico City by Nicaragua's Minister of Planning, Sr Henry Ruiz. He apparently offered to pay half the debt in cash and the other half in goods such as timber, seafood products and sugar.

Sr Ruiz said on his return to Managua that favourable repayment terms had been agreed to and that Mexico will continue to supply Nicaragua's 15,000 barrels a day oil import requirement.

Mexico has already displaced the U.S. as Nicarogua's main trading partner and in the coming year will probably become the largest single supplier of manufactured goods to Nicaragua. Sr Louis Macias, the Mexican trade representative in Managua said: "We hope to export $100m in manufactured goods to Nicaragua this year and maybe 25 per cent more in 1984." Oil exports will come to a further $100-130m.

Meanwhile, with Nicaraguan exports to the U.S. likely to fall below 20 per cent of total exports this year as a result of the sugar quota cut, 10 per cent of its exports this year have gone to entirely new markets in the Middle East and North Africa. These new outlets are almost certain to develop

NICARAGUAN IMPORTS
($m)

	1977	1978	1979	1980	1981	1982	1983†
U.S.	220	186	91	244	263	148	48
EEC	96	67	35	70	115	109	28
Comecon	2	4	0	2	33	89	26
Mexico	15	11	6	19	120	154	at
Spain	38	19	10	8	11	22	7
Central America	164	138	111	300	210	117	*

* Not available. † First 5 months.

Source: Nicaraguan Ministry of Foreign Trade

SHIPPING REPORT

Outlook bleak for 1983 despite large carrier revival

FINANCIAL TIMES REPORTER

A MODEST revival in demand in the tanker market for very large crude carriers in the Middle East was tempered by a build-up of excess capacity in smaller vessels as last week closed.

The revival helped create some stability in the market, with the hope that September would see reasonable profits for owners and brokers. Shell arranged a Texaco re-let tanker, at Worldscale 25, based on 250,000 tonnes of cargo. Towards the end of the week, Koreans paid Worldscale 30.25 for the movement of 240,000 tonnes of crude oil, from Kharg Island to South Korea.

At the smaller end of the market, ranging between vessels of 50,000 tonnes and 130,000 tonnes, demand was slack, in contrast to market conditions of the last few months. In particular, vessels up to 80,000 tonnes are unlikely to find charterers at rates much above Worldscale 100 for shorter voyages.

Similarly, the recently popular size of vessel between 110,000 tonnes and 125,000 tonnes for carriage of crude oil between Saudi Arabia and Iran to the UK and Continent via the Suez Canal, bas shown weak demand, with Petrofina chartering a 130,000 tonnes vessel for part-cargo transport of 115,000 tonnes of crude oil, at Worldscale 50.

Demand for vessels in the Mediterranean, especially in the medium-size range, was considerable last week. Charters included an 80,000 tonne vessel obtaining Worldscale 80 for a cross-Mediterranean voyage.

Loadings out of West Africa were very poor last week, with few current inquiries. Demand for tonnage loading in the Caribbean and U.S. east coast remained steady.

The sale and purchase market was dominated by the reported sales of large combination carriers and bulk carriers.

The Organisation of Economic Co-operation and Development, in its latest report on the world shipping industry, said the outlook in 1983 remains bleak, with little chance of a pick-up in shipping demand and rates or a drop in surplus tonnage. Its report said that 1982 was one of the blackest years ever for the world's shipping industry and austere conditions are expected again this year.

BAe Dynamics to spend £1.27bn on Rapier

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITISH Aerospace Dynamics, backed by the British Governmeot, is embarking on a major programme of improvements to its Rapier air defence system.

A programme supported by the Defence Ministry, to improve the towed versioo of the Rapier has already begun and will be completed at an estimated cost of £1.27bo over the next 10–15 years.

The Ministry expects the development and productioo of Rapier to cost about £6bn at present prices – a sum which considerably exceeds the original £5bo estimate for Britain's controversial Trideot ouclear deterrent.

This amount will be spent over a long period, bowever, as Rapier development dates from the 1960s and the improvement programme is designed to take the system into the 1990s. But the total expenditure involved represents about the same amount spent by the Defence Ministry on the total defeoce equipment procuremeot budget last year.

Both the Defence Ministry and BAe bope for substantial overseas sales of the Rapier system which is said to be Britain's largest single arms export. Sales to 10 countries in the last decade amount to £1.4–1.6bn. Turkey became the 11th country to buy Rapier last month, with a cootract worth £146m for 36 systems.

Compared with Trident or other major defence equipmeot, such as the Tornado fighter, the Rapier programme has had little publicity. The first public indication of the new improvement programme was a two-line entry in last July's Defence White Paper. This ooted that the "estimated programme cost of comprehensive improvement and developmeot of the army and air force Rapier (Field Standard C)" amounted to £1.27bn.

It is understood that the Defence Ministry has so far signed contracts with BAe for about £100m of this programme. About £250m is earmarked for development of the towed system, with around £1bn due to be spent on future orders over the next decade.

Improvements planned for the towed system include a oew surveillance radar. While BAe Dynamics is the prime contractor for Rapier, other major defence companies involved include Marconi Space aod Defence Systems and Ferranti.

Rapier is designed to attack aircraft which are flying low to escape radar detection. Its original towed versioo, in service with UK air force and army, bas provided most of the export sales to date.

BAe bas so far failed to persuade the U.S. to buy Rapier for its Rapid Deployment Force, while a 20-year effort to sell Rapier to Norway failed when the U.S. clinched a dealthere earlier this summer.

Unions must adapt to changing world, says TUC leader

BY JOHN LLOYD, INDUSTRIAL EDITOR

Murray: 'need to show our relevance'

MR LEN MURRAY, the general secretary of the Trades Union Congress (TUC), yesterday clearly signalled the critical importance of this week's annual TUC meeting in Blackpool to the future effectiveness of Britain's badly bruised unions.

He told them: "We have to adapt and adjust to keep demonstrating our relevance to working people."

He deoied that the alection of n Conservative Government called for an "obituary notice" on Britisb trade unions, saying that the unions could emerge from the forthcoming period of government stronger than ever. But only if "we face up squarely to the challenge it poses, recognise honestly the factors in the public mood that brought it about and respond to our members accordingly, dealing with the world as it is rather than as we would wish it to be."

Mr Murray was speaking on the eve of an assembly which will see decisions taken on such ceotral issues as the unions' relations with the Government, with the Labour Party and on the TUC's future campaigning role.

"Since we set up shop 115 years ago our industrial structures have changed out of all recognition, not once but time and time again. Before the First World War we had over 700,000 members – almost a third of our total membership – in the cotton, textiles and weaving trades.

"Now we have hundreds of thousands of bank employees, office workers and technicians. Computer programmers need their unions as much today as the spinning jenny operatives ever did."

Mr Murray's advocacy of change was immediately challenged by a decision of the Transport and General Workers' Union (TGWU) to maintain its opposition to talks with the Government on reforming labour laws Mr Murray has spoken out strongly in favour of such talks.

However, Mr Moss Evans, general secretary of the TGWU, said after the unions' meeting of delegates that "realistically" he did not think the expected Congress decision to talk to Mr Norman Tebbit, employment secretary, would be altered by the TGWU position.

Thougb the union's block vete stands ot 1.5m Mr Evans said unions lining up in favour of reopening talks – they include the engioeers, the general and municipal workers and the local government officers – would probably be sufficient to carry the day.

● Three Soviet visitors, including Mr Viktor Popov, ambassador in Londoo are expected at Congress. Mr Popov is booked in the the town's major hotel for Wednesday.

The other two Soviet guests are Mr Boris Averyanov from the Communist World Federation of Trade Unions in Prague and Mr Vladimir Mozhayev from the Soviet TUC.

Mr Averyanov who arrived last night said in response to reporters' queries: "I have nothing to say. I am going to stay. I dislike publicity."

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INSURANCE

Bermuda prepares for risk exchange

BY JOHN MOORE, CITY CORRESPONDENT

BERMUDA's hard-pressed insurance community is taking steps to protect itself through the creation of a new risk exchange.

In January next year a Risk Exchange Association will be established which, if all goes well, will provide a formal arrangement under which captive insurance companies – the insurance groups created hy non-insurance concerns – can trade business with each other.

In conception, the new market does not resemble the insurance exchanges in North America, which have taken as their model Lloyd's of London. Rather, the risk exchange in Bermuda is intended to provide a facility to enable business to be swapped between one captive group and another on a reciprocal basis at low cost, it intends to provide good underwriting advice and an efficient method of administrating tha various business transactions.

The varying fortunes in underwriting in Bermuda's $5bn insurance community bas undoubtedly given impetus to the latest scheme. Since Bermuda's insurance activity began expanding rapidly in the 1970s the island has become something of a dumping ground for the world's riskier lines of business.

Captive insurance groups were originally formed to insure the risks of their parent companies. Througb a captive company industrial concerns had direct access to the reinsurance market, an important determinant of rates in the world's insurance community, and considerable bargaining power.

When the Internal Reveoue Services in the U.S. ruled in 1977 that premiums paid across to n captive insurance company by the parent company would be related, for tax deductibility purposes, to the amount of business the parent company passed to the captive, captive owners looked for ways to expand the base of their business.

The captive owners began to reduce the reliance of their insurance company subsidiaries on pareot company business by gradually taking on non-related third-party insurance business from outside.

Some of the larger captive groups are sceptical about the exchange's future role, pointing out that it would represent a tiny amount of capacity in world insurance markets. But at least in its early days the new exchange could reduce costs to the captive movement by eliminating broking commission on the business that is put into the exchange while, at the same time, providing a bedrock of profit to the captive groups.

The move into third party business was not a notable success. A dearth of underwriting talent, and a hunger for premium, gave Bermuda a reputation as a "soft market." High risk business, inadequately rated, flooded into the market creating huge losses for some of the captive groups,

This year, a number of groups are rationalising their operations with some groups terminating their insurance of non-related third party business.

The new risk exchange intends to change some of the fortunes of the captive groups. Over the years many captives have tried to obtain profit, rather than premium reciprocity, from other brokers and insurers, but with little success. While the captive movement may be placing profitable reinsurance business with other reinsurers outside its market, little profitable business bas flowed back into the market on n reciprocal basis.

The creation of the exchange is designed to retain some of the profitable reinsurance business which is flooding out of the captive market within its own community. In the early years of the operation of the exchange, it is expected that the participants will retrieve from the reinsurance marketplace a part of their reinsurance programme and offer this to the exchange on a trading reciprocity basis.

This element of the exchange's operations could generate ebout $30m in premium volumes for the participants.

The exchange has already entered into a management agreement with Altamid Management Company, n subsidiary of Hanna Mining Company, and with Hudson Underwriting, a subsidiary of Skandia America. Hudson has appointed a full time member of its staff to act as underwriter to the exchange members and he will be based at offices in Bermuda.

About 17 insurance captives, all subsidiaries of big U.S., Canadian and European companies, will participate in the exchange initially. Projections for the first year of its operations suggest that a premium volume of $50m might be generated. Thare would be underwriting capacity of $6m for property risks, casualty $4m and marine business $3.5m, but the actual volume will depend oo the oumber of participants.

Membership of the new exchange is to be limited to captive groups only, and each member must show capital and surplus equivalent to $1m and win the approval of 75 per cent of existing members before being admitted to tha club. The management of the exchange is to be fioanced by a 1 per ceot levy on premium volume, and there will be a 75 per cent cootribution to a security fund which will be available to all exchange members In the eveot of one of the participants defeulting.

UK NEWS

Treasury fights to cut spending by £2.5bn

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR PETER REES, chief secretary to the Treasury, will this week open the second phase of a battle with spending ministries which is proving much tougher than the Treasury's similar operation a year ago.

His task is to cut £2.5bn from the total that departments and local authorities say they need to spend in 1984-85. This is the gap which still remains after a round of talks between officials this summer when the Treasury sought to bring the total nearer to the target of £126.4bn annnunced by the Government last spring.

The total, enshrined in the last public spending White Paper, was questioned by some ministers after the general election in June when it seemed there might be difficulties in meeting the target.

However, Mrs Margaret Thatcher, the Prime Minister, silenced her Cabinet colleagues by telling them that the figure represented an election commitmeot. Mr Nigel Lawson, the Chancellor of the Exchequer, reinforced this by saying that failure to control public spending might lead to tax increases in the longer term rather than the cuts which the Conservative administration desires.

The Cabinet agreed to the figure of £126.4bn, but it has proved more difficult to persuade departments to hold their estimates to a figure consistent with this target.

By early summer departmental bids for next year had reached about £6bn above the target figure, though some of this excess was regarded as a "try oo" by the Treasury.

Thatcher: an election commitment

Officials have now reduced the gap to £2.5bn and it will be up to Mr Rees in the next eight weeks or so to shave this figure down in a series of bilateral meetings with departments.

He will also have to grapple with the thornier problems of public spending over the oext five years wben slow growth, the increase in the number of older and sick people, and defence and nther commitments are likely to put severe strain on the Government's objective of containing the public sector as a proportion of national income.

For next year it is privately conceded that it may be difficult to reconcile the target with the Government's spending commitments. These include: maintenance of the real value of pensions, an 8.7 per cent rise in the value of unemployment benefit from November, and a 3 per cent rise in defence spending in real terms. Moreover, any appreciable cut in the standard of health care would be resisted by Mr Norman Fowler, the Health Secretary, and would in any case be politically difficult.

Almost balf the £2.5bn excess for next year is accounted for by the local authority bid, but their spending bas proved extremely difficult to control in the past. The remaining excess bids are spread fairly widely, with the defence budget – notoriously liable to creep upwards – some £300m over the top.

Last year the Treasury's Chief Secretary, then Mr Leon Brittan, solved the difficulty partly by cutting the contingency reserve for *1983-84 to only £1.5bn. However,* this has already proved embarrassingly small, and was nne reason that Mr Lawson felt compelled to announce an unexpected £600m package of spending cuts fnr the present year.

For 1984-85, the Treasury is determined to keep the contingency reserve at its planned £3bn. This would provide not only for unforeseeo events – such as the Falklands war – but would belp to cushion the planning total against pressure from any unforeseen revival of inflation.

Mr Reesis, therefore, faced with harder bargaining than Mr Brittan last year and the more hawkisb ministers are watching anxiously to see bow be measures up to ooe of the toughest jobs in government. It is being said that be will dn well to match the toughness and appetite for detail sbown by bis predecessor.

U.S. rates 'close to those of golden age'

By Our Economics Correspondent

THE VIEW that U.S. interest rates have reached historically high levels in real terms is strongly challenged today by a leading City economist.

Mr Gavyn Davis, chief economist for brokers Simon and Coates, says that after taking account of tax changes and the expected course nf inflation, rates are now near the average lor the "golden age of the 1950s and 1960s."

He says in the brokers' monthly, Economic Analysts, that past trends do not suggest that U.S. interest rates should fall substantially.

His analysis, prepared with the help of tax data from the U.S. Federal Reserve Board, is a direct challenge to the consensus view of finance ministers and central bankers in the developed world, particularly Europe.

They believe an excessive U.S. budget deficit has pushed U.S. interest rates – and hence world rates – to historically high levels, which are a brake on world economic recovery.

Mr Davis has calculated a "real" value for interest rates since 1950 by subtracting the expected rate of inflation revealed from survey data from three of the main U.S. interest rates.

He has also calculated the "real" benefit nf interest payments to taxpayers with zero, average and high marginal tax rates.

He concludes that lenders paying a zero marginal tax rate have enjoyed positive real rates of return for most of the post-war period, except for a few years in the later 1970s when after-tax rates became negative in real terms.

He also concludes that the present real after-tax returns of around 3 per cent is near the average for the whole period studied. A similar pattern emerges for those nn higher marginal tax rates although they have suffered negative real returns for a longer period.

Shipowners set out union terms

BY BRIAN GROOM

SHIPOWNERS are to offer trade unions a new "consensus" in the wake of the Conservative election victory, but one that makes clear that they must accept improved working practices on ships, and changes to long established national agreements.

The General Council of British Shipping annual review, to be published this month, emphasises that for at least four to five years there will be no subsidy, protectionism or controls for nationalisation. "The country did not vote for a government with the sort of shipping policies that the unions wanted" it said.

The council has offered the National Union of Seamen and the Merchant Navy Officers' Association, a forum to discuss general policy which could agree on broad lines of support that the industry should seek from government.

But it warns: "The unions will need to temper their philosopby with pragmatism if there are to be joint representations which stand any chance of success with the present administration; the alternative of constantly pressing for the adoption of policies totally inconsistent with the government's approacb will be at best futile, and at worst counter productive."

The council wants to revise a range of national deals designed wben there was a chronic shortage of skilled seafarers. Now there is a surplus because of the decline in the fleet, and unemployment ashore.

That mainly concerns redundancy paymeots, responsibility for which the council wants to pass to individual companies in order to curb its central costs.

UK NEWS

Clerks 'inflated' figures for Argentine imports

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

CLERKS at the Department of Customs and Excise are said to have been inflating the figures for British imports from Argentina, while Customs officers are busy impounding Argentine goods at UK ports.

The department is blaming "keying arrors by computer operators" for £95,000 of the £241,000 worth of Argentine goods recorded as having entered Britain in the first half of this year.

Since Argentina invaded the Falklands in April last year, imports have been banned, except for personal effects, newspapers, news film and periodicals. The Government is likely to continue the ban until Argentina formally declares peace.

The department says another £58,000 of the first-half figure was due to the late entry of documents referring to goods that came in before the embargo. Goods worth an estimated £20,000 had been sent to Britain by post.

The balance remains unaccounted for. Some of it, such as a consignment of animal hides seized at Northampton two months ago, may have been illegally imported.

According to Customs figures supplied to the Trade Department, Britain took delivery of £69,000 worth of office and data processing equipment, £116,000 worth of machinery and transport equipment and £30,000 worth of textile yarns between January and June.

Meanwhile, Customs officials are being assailed by a mounting chorus of complaint from scholars and librarians that the import ban is being too strenuously operated.

The librarian of the Institute of Economics and Statistics at Oxford complained in a letter to The Times newspaper on Friday that import licences had been refused for volumes of commercial statistics from Argentina, which had been seized at Dover.

The British Library, the Scott Polar Research Institute, and the Universities of London, Essex and St Andrew's have had similar experiences.

The Trade and Industry Department is trying to reassure frustrated academics by saying that the procedure under which seized goods are "condemned" does not necessarily mean they will be destroyed. They might, for instance, be auctioned – but the successful bidder would not be able to import the books until the ban was lifted.

A department spokesman said newspapers, journalists' dispatches, film and periodicals were allowed in, "so that we can see what is going on in Argentina." Books for sale, however, were not permitted.

Top-level Chinese delegation studies N.Sea technology

BY RICHARD JOHNS

INTENSIVE efforts to boost long-term-sales of UK offshore technology and supply services will be made over the next few days during the visit to Britain by Mr Tange Ke, China's Minister of Petroleum.

Mr Ke will have talks today with Mr Peter Walker, Secretary of State for Energy, and call on Mr Paul Channon, Minister of Trade.

Mr Walker said at the weekend: "We will show them the full range of our offshore oil industry and supply services. Our experience in developing the oil and gas resources of the UK Continental Shelf will be invaluable to the Chinese as they embark on a similar venture."

Tomorrow, the high-level Chinese delegation, which arrived in London yesterday, is due to attend the opening day of the Offshore Europe 83 exhibition – the largest in the world after Houston's Offshore Technology Conference.

In Aberdeen Mr Ke is to meet Mr John D'Ancona, director-general of the Department of Energy's Offshore Supplies Office. Visits are also scheduled to Shell's Fulmar oilfield and British Petroleum's Forties field, the most prolific so far in the North Sea.

Mr Ke will see Sir Peter Baxendell, chairman of Shell, and Mr Peter Walters, chairman of BP, on September 12. Shell and BP head two of the three international groups which have concluded oil exploration contracts with China this year.

The length of the delegation's stay is also seen in Whitehall as reflecting the intensity of China's search for assistance in the rapid development of its offshore oil reserves.

Importers benefit from growing UK white goods market

BY CARLA RAPOPORT IN LONDON

RETAIL SALES of electrical appliances in the UK are expected to top £2bn ($2.96bn) this year, but the health of the UK white goods industry remains under pressure as importers consolidate their hold on a large share of the market.

According to a new report on the UK market, importers now hold 36 per cent of the sales of domestic electric appliances, compared with 28 per cent in 1978.

Consumer spending on all types of electrical appliances totalled £1.87bn, a 10 per cent increase over the previous year, according to Euromonitor, the London-based market research group. This was 2 per cent ahead of inflation, but conceals real growth because prices of electrical goods increased by only 1.4 per cent in the year. The growth was spurred by a relaxation in consumer credit regulations.

While imports have been climbing, Britain's exports in this sector have been shrinking, from 21.3 per cent of total sales in 1978 to 14.5 per cent in 1982.

Britain's major competitors in white goods are other EEC countries. Italian groups now hold 13 per cent of UK retail sales in this sector, West Germany 6 per cent with Japan and Hong Kong holding only 2 per cent and 1 per cent respectively.

The UK consumer's love of gadgetry has been a chief factor in the buoyant growth of the domestic market. Small electrical goods, such as microwave ovens and air purifiers, now account for 47 per cent of the total market.

"Although an objective analysis might reveal that the Western world can already buy a gadget for every purpose under the sun," states Euromonitor, "the job of those involved is to persuade them that this is not so. The electrical industry cannot afford to stand by and simply wait for an appliance to wear out. Something new has always got to be around to satisfy the acquisitive urge."

The largest markets in value terms are still washing machines, refrigerators and freezers and electric cookers, which accounted for £880m in sales last year.

For the future, Euromonitor tips built-in cookers and hobs, dishwasbers and multi-purpose cocokers as areas with good growth potential.

The White Goods Industry, 1983. Euromonitor Publications, 18 Doughty Street, London WC 1. £160.00.

Liquidity improves

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A SUBSTANTIAL improvement in company liquidity from the historically low levels reached last year is suggested in a survey published by the Department of Trade and Industry.

It shows that the net current liabilities of 201 companies surveyed fell to £73m in the second quarter of this year from a peak of £2.1bn in the third quarter of last year.

After seasonal adjustment, the companies were almost exactly in balance in the second quarter of this year. This brought the ratio of their assets to liabilities to 100, compared with a low of 71 in the third quarter of last year

Recession fails to halt fast growth of accountancy firms

BY ALISON HOGAN

THE TOP 10 accounting firms in the UK appear to have come through the recession unscathed, with average growth rates during the last financial year of 15 per cent. Medium sized firms have grown at a slower rate, the average for the bottom 10 in the Financial Times Top Twenty is just below 11 per cent with some managing a modest 7 per cent growth in fee income.

The size and number of audits have shrunk during the recession and competition for audit work has increased as companies try to keep costs down by tendering for the most economical audit fee.

Firms have responded, some more successfully than others, by developing new services and expanding existing resources in management consultancy, insolvency, taxation and other sectors.

Accountancy firms do not reveal profit figures. However, the ratio of fee income to professional staff provides a useful guide to their productivity. The accompanying table reveals that, using this measure, their ranking varies dramatically from the ranking by fee income.

Financial year-ends vary between accountancy firms so the figures are not strictly comparable. But, year on year, they reveal markedly different patterns of development.

Two firms which have shown the most dramatic results are Price Waterhouse and Arthur Andersen. Price Waterhouse has gradually moved up the league, taking third place this year from Coopers & Lybrand and almost toppling Deloitte, Haskins and Sells from the number two position. Price Waterhouse produced the highest growth in fee income of any firm, exceeding 20 per cent. Peat Marwick Mitchell, with a growth in fee income of just under 13 per cent is finding its leading position increasingly under threat.

Mr Jeffrey Bowman, senior partner of Price Waterhouse, says that much of the firm's growth has come from its specialist services, rather than the traditional audit.

"Investigations work has been buoyant, and all aspects of management consultancy are doing well. In times of recession companies tend to cut back on consultancy exercises, but we have found that many bave decided to brave it out," he said.

The firm now has more than 25 per cent of its professional staff working in specialist activities such as taxation, computer auditing and insolvency. Coopers & Lybrand, whose fee income grew by just under 18 per cent, says it has seen exceptional growth in its special services, and has increased staff in management and consultancy services by 25 per cent this year.

Most of the top firms report growth in public sector work they have benefited from the Government's value-for-money drive in Whitehall and the nationalised industries, and from the privatisation of audit in local government.

Arthur Andersen, comfortably inside the world's Big Eight accountancy firms, hovers just outside the UK Big Eight – a position it soon hopes to correct. It reveals the most impressive overall performance, achieving a growth in fee income of nearly 19 per cent, but also ranking number one by the ratio of partners to fee income and by total professional staff to fee income.

In the middle of the table there is a distinct grouping of Thomson McLintock, Binder Hamlyn, Spicer and Pegler and Panneli Kerr Forster with fee incomes above £20m. The remaining firms seem the most likely candidates for any future mergers.

TOP 20 ACCOUNTANTS BY FEE INCOME

Ranking	Partners	Professional staff	Staff/partner ratio	Total professional staff	Fees* (£m)	Fee/partner ratio (£000)	Ranking by fee partner/ratio	Fee/Total professional staff ratio (£000)	Ranking by fee/total prof staff ratio
1 Peat Marwick Mitchell	194	2,808	14.47	3,002	64.3	331.4	2	21.42	12
2 Deloitte Haskins and Sells	255	2,440	9.57	2,695	60.5	237.3	8	22.45	5
3 Price Waterhouse	185	2,086	11.27	2,271	60.2	325.4	3	26.51	2
4 Coopers and Lybrand	205	2,220	10.83	2,425	60	292.7	4	24.74	3
5 Ernst and Whinney	188	2,233	11.88	2,421	52	276.6	6	21.48	11
6 Touche Ross	166	1,976	11.90	2,142	48**	289.1	5	22.41	6
7 Arthur Young McClelland Moores	173	1,983	11.46	2,156	46	265.9	7	21.33	13
8 Thornton Baker	220	1,947	8.85	2,167	40	181.8	15	18.46	18
9 Arthur Andersen	98	1,183	12.07	1,281	35	357.1	1	27.32	1
10 Thomas McLintock	140	1,280	9.14	1,420	31.6	225.7	9	22.25	8
11 Binder Hamlyn	126	1,047	8.31	1,173	26.5	210.3	10	22.59	4
12 Spicer and Pegler	125	1,050	8.40	1,175	25.25	202.0	13	21.49	10
13 Pannell Kerr Forster	156	1,127	7.22	1,283	22.6	144.9	19	17.61	20
14 Dearden Farrow	99	504	5.09	603	13.5	136.4	20	22.39	7
15 Neville Russell	68	464	6.82	532	11.5	169.1	16	21.62	9
16 Stoy Hayward	56	493	8.80	549	11.4	203.6	12	20.76	14
17 Kidsons	70	501	7.15	571	10.75	153.6	18	18.83	17
18 Robson Rhodes	65	492	7.57	557	10.5	161.5	17	18.85	16
19 Hodgson Harris	42	377	8.98	419	7.7	183.2	14	18.38	19
20 Armitage and Norton	35	335	9.57	370	7.3	208.6	11	19.73	15

* Net of recoverable expenses. **FT estimate. Research by Jan Schling, FT Editorial Research Desk

How concealed gains distort the trade balance picture

Max Wilkinson reveals a clue to the nature of a huge global discrepancy

THE "DISCOVERY" last week that Britain earned some £1.5bn more in invisible exports last year than was believed a month ago highlights a major international problem in assessing trade balances.

Last year the current account balances for all the countries in the world added up to a deficit of $100bn, of which about a third was accounted for by the developed world.

These figures, published by the Organisation for Economic Co-operation and Development (OECD) in July, suggest that the current account position of many countries, must be very much better than official figures show. For it is plainly impossible for the whole world to be in deficit with itself.

The Central Statistical Office's statement on the UK balance of payments, published last week provides a useful clue to the nature of this huge global discrepancy. It showed that the UK surplus on invisible trade for 1982 was now thought to be £1.456bn larger than was believed in June, when the last estimate was published.

Moreover, the estimate for invisible earnings in 1981 was also increased by £404m since the last official estimate.

Invisible earnings, which include insurance earnings, interest profit and dividends and transfer payments, are notoriously difficult to forecast, and one theory about the discrepancy in the world account is that invisible earnings are badly under-recorded in some countries.

Even in Britain, where great care is taken to try to make the statistics accurate, the gradual accumulation of data over months and years can make an important difference to the figures.

The 1964 balance of payments crisis, for example, appears in retrospect to have been something of a false alarm, as later revision has showed only a small deficit on the current account for that year.

Questions must also be raised about the more recent reactions of the foreign exchange markets to the actual and forecast trend of the UK current account. Last November the very sharp slide in sterling was attributed, partly at least, to tha Treasury's forecast that the current balance would dwindle to zero this year.

That prediction was subsequently revised upwards to a forecast surplus of £1.5bn, a change which is relatively small in relation to the margins of error for forecasting this figure.

Last week's revision underlines a further uncertainty about the figures when they do appear, which should make the markets even more wary.

The £1.5bn "extra" invisible earnings for 1982 may be small compared with forecasting errors, but it amounts to 36 per cent of the estimate for the total current account surplus for the year, which the Department of Trade was publishing as recently as August 24.

Moreover the revision is equal to three quarters of the total visible trade surplus for that year, and in nominal terms is equal to the entire visible trade deficit for 1978.

Even the revisions do not clear away all of the fog from these statistic, since an unexplained discrepancy of £3.86bn remains between the capital and current accounts for 1982.

In theory the balances on the capital and current accounts must be exactly equal and opposite, just as every sale of sterling must be matched by a purchase.

However, capital transactions are difficult to monitor accurately, so that the total capital outflow needed to match the £5.43bn (revised) surplus on the current account has not been picked up by the statistics.

The conventional wisdom is that the discrepancy is mainly due to a failure to record all these capital flows, and that the current account figure is to be believed.

However, a discrepancy which is equal to 70 per cent of the current account balance does, to say tha least, raise some questions about both sides of the account.

Although these balance figures are often the main focus for market interest, perhaps the more significant aspect of last week's figures was the light they cast on particular aspects of Britain's trading performance and financial flows. They showed that the financial services provided for overseas customers, mainly by the City of London, changed very little between 1981 and 1982.

But interest profits and dividends remitted from overseas rose as a conequence of the increased portfolio investment overseas.

This rise in overseas investment has been the counterpart of the strengthening of the current account resulting from the access of new oil wealth.

The figures show little overall change in the volume of exports (including oil) since 1979, but the real earnings from services fell by 19 per cent between 1978 and 1982, back to the same level as in 1976.

Real earnings from travel were down 30 per cent from their peak in 1977, while UK payments to overseas countries from travel rose by 130 per cent in real terms during the period.

The figures also show that Britain increased its net assets overseas by £11.3bn in 1982 to a total net of liabilities of £42bn by the end of the year.

Sweetener market faces bitter fight

BY CARLA RAPOPORT

LIFE IN Britain is set to become a shade sweeter this week with the marketing of new artificial sweeteners, the first for nearly 30 years.

These introductions, however, are likely to set off a commercial struggle which already promises to be bitter.

Tomorrow, three new kinds of highly concentrated sugar replacements and three new kinds of bulk artifical sweeteners will be allowed to compete with saccharin, the only sugar replacement at present on sale in the UK after the ban of cyclamates in 1970.

In the U.S., one of the new sweeteners, aspartame, has already had an enormous success. From initial sales of $12m in 1981, it achieved sales of $110m in the first half of this year.

Aspartame, called Equal in the U.S. and Canderal in Europe, was developed by G. D. Searle, one of America's major pharmaceutical and consumer products groups.

Searle's major competitor will be Hoechst, the West German chemical and pharmaceutical group, which tomorrow launches its new sweetener, acefulfame K, under the brand name Sunnet.

Hoechst's product has a number of attractive advantages over aspartame. It is cheaper than both Searle's product and sugar, (although more expensive than saccharin) and it has a long shelf life.

Most important for Hoechst, however, the company is not spending vast sums to market it to the consumer. Instead, it is aiming to sell it to food and drink companies in the UK.

Another competitor, which has yet to crank up to full-scale combat speed, is Tate & Lyle with thaumatin. This product, derived from the West African katemfe fruit, is claimed to be 2,000 to 3,000 times sweeter than sugar, and some 10-times sweeter than aspartame and acefulfame K.

UK NEWS

Ford sells more than 100,000 cars in a month

BY JOHN GRIFFITHS

FORD has become the first car maker to exceed 100,000 sales in the UK in a single month.

It reached the six-figure level last Tuesday. With several days' processing of registrations still to be done Ford can be expected to exceed the previous monthly record of 86,854 sales by a single manufacturer by about 25 per cent. The existing record was set in August last year, also by Ford.

By Tuesday total sales of all cars so far in August had reached 337,000, making it certain that the month's final figure will be at least 350,000 – another record, and by a huge margin. In August last year, 302,000 sales also set a record.

At 350,000, this August's sales will be 62 per cent higher than in August 1979 – and 1979 was the year in which total car sales peaked at 1,710,000.

With four selling months to go, and sales to date already exceeding 1.3m, the industry now increasingly expects that the 1979 full-year record will also be broken.

Although the fourth quarter is one of the poorest times for sales, the continuation of heavy discounting and the launch soon of Ford's Orion – the "booted" Escort – and a new Fiesta range are expected to keep the market buoyant until the end of the year.

● A version of the Ford Capri coupé, claimed to do 145mph, will go on sale early next month at about £15,000.

The car has been developed by Aston Martin Tickford, the engineering and coachwork operation set up at Milton Keynes, Buckinghamshire, three years ago by Aston Martin.

Tickford, which is also producing for Jaguar Cars the convertible XJ-S model, which Jaguar will launch in the autumn, expects to build up to 200 versions a year of the Tickford Capri, based on Ford's 2.8 litre fuel-injected model.

The car will be marketed initially by Tickford itself, but talks are understood to have gone on with Ford about eventual sale through the volume manufacturer's own dealer network.

Renault reduces range of imports

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT's import company has reduced the range of cars on offer in the UK from 50 to 38, following pressure from dealers who complained there were too many model variants for them to handle effectively.

Mr Patrick Faure, who became managing director in September last year, has also reduced the number of dealerships from 440 to about 400 in response to dealers' criticisms.

He has set a target of 75,000 car sales for 1983. Last year Renault missed its objective – it hoped for a 5 per cent market share but with registrations of 64,147 it achieved 4.13 per cent, down from 4.85 per cent.

At the end of July this year Renault's market share had fallen again to 3.73 per cent and volume was also down from 38,050 to 36,177.

In July, however, it launched the R11 hatchback range which it says is at the heart of its 1984 sales drive. It hopes to sell 23,000 R11s next year.

Variants being dropped from the UK range are: 5TS, 5 Auto five-door, 9C, 9TL, 9TLE, 9GTS, 18TX saloon, 18 Auto (1650cc), 18GTD, 18 Auto Estate, Fuego GTS Auto, Fuego GTX, 20TS and 20 TD.

● Volvo car sales in Britain last month set a company record of more than 12,500. This was 22 per cent more than in August last year and a market share of around 3.4 per cent.

At the end of the first eight months this year Volvo cars, imported by a Lex group subsidiary, were showing a 22 per cent volume growth compared with the same period of 1982 – more than 45,100 against 37,348.

● Iveco, the Fiat subsidiary, which imports Fiat and Magirus trucks, *achieved in August its highest* monthly share of the UK market for vehicles over 3.5 tonnes gross weight.

Its share was 8.6 per cent against the previous high of 8.15 in May 1982. The number of trucks registered was 394 last month, compared with the previous peak of 389 in August 1979.

Britain tells Japan how to buy more from Europe

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

A CONTROVERSIAL list of British proposals outlining ways in which Japan could increase its imports from Europe has raised eyebrows in Tokyo.

Included in the list is a suggestion that Japan should actively discourage local production of European goods and import them directly instead, provide incentives for foreign investors to buy Japanese companies and give tax incentives to importers.

The list has been sent to senior officials and politicians, including Mr Jun Shiozaki, director general of the Economic Planning Agency. British diplomats admitted that some items had raised eyebrows but said that the overall reaction was "by no means negative."

Japan is said to be far more ready to listen to unorthodox proposals for increasing imports than it was three years ago when Britain last put forward suggestions. The latest list goes much further than its predecessor in advocating moves that would cost the Japanese Government money.

The British list also recommends:

● Decontrol of interest rates on yen deposits to make Japan's currency more responsive to market pressures, and thus end the persistent undervaluation of the exchange rate;

● The establishment of a yen-denominated bankers' acceptance market to encourage yen financing of imports;

● A system of annual questionnaires on import performance to be answered by public corporations, trade associations and chambers of commerce, with monitoring by the Economic Planning Agency or the *Prime Minister's office;*

● Free office space for three years for foreign companies wishing to establish themselves in Japan and free space for foreign participants in Japanese trade fairs;

● A "serious look" at what Europe has to offer in commercial passenger aircraft (especially the Airbus and BAe 146).

Euro MPs want law to protect Scotch industry

FINANCIAL TIMES REPORTER

SCOTTISH Euro MPs have begun a campaign to protect Scotland's lucrative whisky industry from poor quality competition.

If successful, it could affect the Japanese, who in the past few years have emerged as fierce competitors to Scotland's whisky trade.

Mr John Purvis, Euro MP for Mid-Scotland and Fife, says that in the medium and long term a new regulation could lay down minimum standards for wines and spirits in the EEC. This would include a monitoring committee reviewing implementation within the spirits industry.

He said: "It could lay a new basis for ending discrimination and protecting Scotch and every other European spirit against competition from poor quality products."

Mr Purvis and his Euro colleagues, Mr James Provan (North-East Scotland) and Mr Ken Collins (Strathclyde East), are urging the early implementation of the regulation.

"This would make it illegal for a spirit to be called Scotch, unless it had been matured in oak casks for three years at least," said Mr Purvis.

UNIONS CHALLENGE NEW JOBS CAMPAIGN

TUC decision time on Youth Training Scheme

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

THE Youth Training Scheme (YTS) comes into full operation this month with all the ceremony the British traditionally attach to the birth of new institutions.

Delegates at the Trades Union Congress (TUC) will consider whether to withdraw support from it; some employers cannot wait to start trying to abuse it; and millions of people still lack any clear idea about it.

Yet YTS is a new institution that will have a radical impact on some older ones such as apprenticeship and the educatioo system.

Throughout the year, the *Manpower* Services Commission (MSC) has been seeking 460,000 year-long training places with which to launch the scheme. It had identified 98 per cent of those by the end of July.

"Places identified" are vaguer than "places approved" – there are now 371,000 of these, with 221,000 for immediate occupotion and about 100,000 young people already on the scheme.

YTS is open to both unemployed and employed young people, but all unemployed 16-year-olds are guaranteed places by Christmas.

Not all young people will join the scheme on a uniform date, so the MSC still has some time on its hands, and officials are now confident that there will be enough *places to go round as YTS builds up* through the autumn.

If the experience of the less ambitious Youth Opportunities Programme, which ceased earlier this year, is any guide, most young people will undoubtedly prefer YTS places to unemployment.

So far so good – and the sheer effort that MSC officials have put into searching for training places and helping to put together schemes has been enormous.

Yet doubts remain, and many of those are expressed in resolutions to this week's TUC annual congress in Blackpool.

The trade union movement's relationship with YTS has always been more difficult than official TUC statements would suggest.

Senior TUC representatives serve on the MSC, and were members of the commission's task group that drew up the YTS. At national level, the TUC is – like the Confederation of British Industry – unreservedly in support of the YTS and dedicated to making it a success.

That is partly because of the great need to do something to mitigate youth unemployment. However, it is more particularly because many trade union leaders and industrialists see in the YTS the beginnings of a genuine system of universal vocational training, which the UK, unlike other industrial nations, has lacked until now.

On the ground, many trade unionists see it differently. There will be complaints at Blackpool that the need to find 460,000 places by the autumn is putting quality at risk, that some schemes will deny young people trade union rights, that the use of private training organisations on the YTS will undermine the public training and education services, and that the YTS will become a cheap labour scheme at the expense of what was best in the traditional apprenticeship system.

Some of these worries are already preventing particular YTS projects from getting off the ground, both locally and nationally.

Plans to provide 750 places in the heating and ventilating industry, for instance, are stuck because the sheetmetalworkers' union is insisting that those young people who will be going on to full apprentice*ships should receive the normal* first-year pay rate – about £45 – rather than the £25 YTS allowance.

Mr George Guy, the general secretary, says the union is prepared to accept the YTS "with all its warts and pimples," but not at the expense of existing agreements.

The most critical of the motions introduced for Blackpool, from the National Graphical Association (NGA), a print union, accuses the Governmeot of using training schemes "oot only as a means of cynically manipulating unemployment figures, but also to break the link between the pay of apprentices and trainees and that of skilled workers."

The NGA motion calls on the TUC general council to reconsider its continued involvement in the YTS. Others, although calling for action to prevent YTS abuses, stop short of demanding the withdrawal of TUC support from the scheme.

FOCUS ON SOUTH AFRICAN COMMERCE AND INDUSTRY

Nedbank: profits and reserves rising in a 'virtuous circle'

BY RICHARD ROLFE

Mr Rob Abrahamsen (right), chief executive and Mr Anton van der Merwe-Vance (left), deputy chief executive

Nedbank's two top executives, Mr Rob Abrahamsen and Mr Anton van der Merwe-Vance, speak in this interview, which opens the series on South African commerce and industry, with Mr Richard Rolfe, editor of Finance Week, *Johannesburg.*

Of South Africa's five msjor banks, Nedbank is much the smallest in physical terms, with just over 200 branches across the Republic. But it is hy far the most profitable of the hanking groups in terms of operating margins. In its last full year, to September 30, Nedbank clocked up profits of R122m (£75m) pre-tax. The six-month period to end-March showed further strong growth, despite the recession in the South African economy.

Nedbank's chief executive, Mr Rob Ahrahamsen, ascribes the bonk's success to tho skill with which it has carved out a niche for itsoif in the quality, corporate end of the market. Tho end result has been tha highest returns on shareholders funds in South African banking. Over the four-year period to September 1982, Nedbank's return on equity was never lower than 21.1% and soared as high as 25.3% in 1980, the cyclical peak year in banking margins. These rates of return hove consistently exceeded the rest of the field.

Mr Abrahamsen explains: "We nre in wbat I call a 'virtuous circle' in whicb profitability is aufficiently higb to pay increasing dividends to sharebolders whilc at the same time expanding our sharebolders funds." In the South African system, deposits have to he covered as to 6% hy shareholders funds, which are therefore the key ingredient in s bank's capacity to take on new husiness. Since 1979, shareholders funds had risen 75% to R389m at September 30 (£235m) and dividends have iocreased 85%. The interim figure to end-March showed a further rise to R422m in shareholders funds and a 31% advance in net profits.

‘In the past four years, shareholders funds have risen 75% and dividends 85%’

Still, Mr Abrahamsen stresses, nonc of this growth has been ochieved at the expense of relsxing etandards. Bad debt oxperience remains small. And tha bank bas a comfortable surplus capital position, amounting to R96m at the end of March. What this mesns is that only some 80% of shareholders funds are currentiy being applied to taking in deposits: or, put another way, Nedbank could afford to lift deposits from R6.9bn (£4.2bn) at end-March to around R8.6bn.

"We have been criticised for hoving too comfortable o capital position," Mr Abrahamsen remarks. "But it remains our policy to be conservative. Tbat way, we can have resl, balanced growth, expanding our branch system, and probing further into markets like London and New York, as well as expanding in the wholesale sector." He adds: "Our basic framework, our balanca sheet, our cspital and our people are in place for this two-pronged attack."

Nedbank has always been as much at home in internotional spheres os in the South African msrkot. Established in 1888 as tha South African offshoot of a Netherlands concern, it became independent in tho late 1960s. Today Nedbank is South African-controlled and managed, with some 98% of its shares in South African hands.

The original *raison d'être* was trade finance for commodities such as diamonds and wool between South Africa and the Netherlands; out of this, the branch network and a full range of banking sctivities grew. Says Mr Ahrabamsen: "We've always been very strong in the financing of internatiooal trade." For 77 years, the bank has had a braocb in London, currently headod by Mr Yale Fisher. Apart from trade finance, the London offico has been expanded to carry out normal banking functions.

Mr Abrahamsen believes thot South Africa's main trade links with the rest of tha world revolve oround a Johannesburg-London-New York axis. Speed of communications is of the essence. "We have a computer link between these three centres." Mr Abrahomsen notes. "We have a lot of multinational clients all over the world and we want to give them the best availablo service." Nedbank's deputy chief executive, Mr Anton vsn der Merwe-Vance adds: "Wa go where our customers need us — thst's why we've opened up in New York and expanded in London." In New York, Nedbank's branch bas s federal licence and is eligible to set up operations in other atates in due course.

Nedbank takes a positive view of recent relaxations of South African oxchange control aod of the moves, some of which it initiated, towards heightened competition in the domestic hanking system. In March, the hank pulled off a public relstions and business-winning coup wheo it announced plans to pay interest on current occounts for the first time: within days, all the other banking majors wore forced to follow suit.

‘The decision-making process has been pushed down the line’

On exchange control, Mr Abrahamsen believes the trend is irreversibly towards furthor relaxations, climaxing with complete abolition: "You can't turn back without relegating yourself to second league status," he affirms. "The route is very clear. South Africa ia already a very important trading nation snd we will toke our rightful place among the big league trading and investment nations." Abolition of exchange controls for non-resident investors, he believes, will stimulate capital inflows to the Republic: "*There will be fewer inbibitions* for people to invest in this country."

Further down the line, Nedbank sees the rand being increasingly traded as an international currency: "You can already cnll up any largo bsnk in London to got a rate quoted," Mr Abrahamsen observes. In today's world economy, he believes South Africa stands out as "pretty strong" and expects both relative and absolute gains over s 5-10 yoar period: "Our bank will be in the forefront of this."

Nedbank's manogement styla is summed up by Mr van der Merwe-Vance as "informal and relaxed." The bank operates with a small head office staff. Meetings are kept to a mioimum and committees, where they are convened at all, are for policy and information, not decision-taking, purposes. "There is great depth of msnogement," Mr Abrahamsen explains: "The decision-making process is pushed way down the line." Tho accent is on promoting young managers. "If you're 35-40, given intelligence and insight into how banking works, you're as well equipped to do the job as when you're 45-50," Mr Abrahsmsen, himself only 44, believes.

The other credo is flexibility in dealing with business. Nedbank customers find they can obtain easy access to the bank's top management. Mr Abrahamsen's philosopby is that "you're never too husy running the hank to see people — whether it's staff or customers." The result is a motivation which seems to come through in performance and profits. Mr Abrahamsen states: "We waot to stay No. 1 in financial results, and that *permeates* right through *the* organisation."

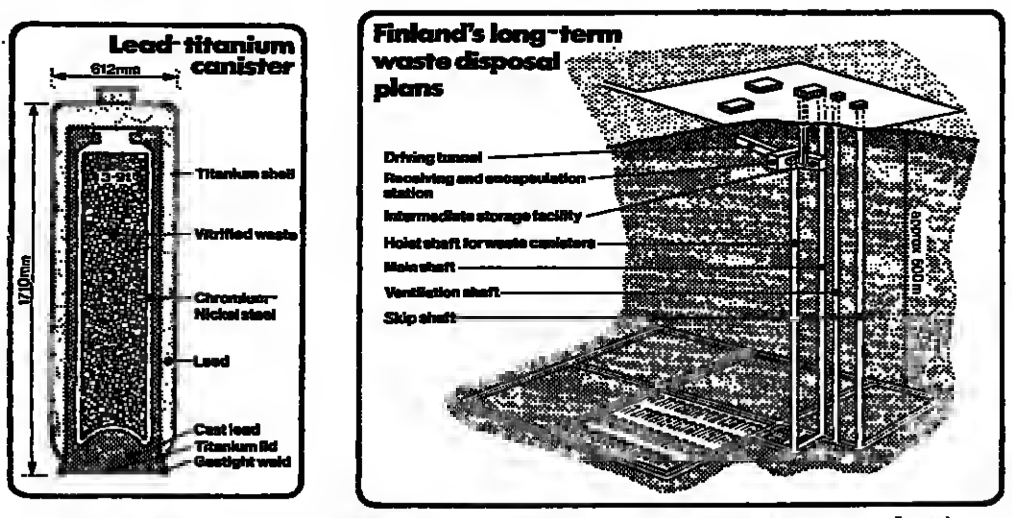
TECHNOLOGY

EDITED BY ALAN CANE

LONG-TERM NUCLEAR WASTE PLANS IN FINLAND

Bury it deep, deep down in the bedrock

BY ELAINE WILLIAMS



One of Finland's options is to dispose of its spent nuclear fuel in its stable bedrock. Above left: the fuel is sealed in copper canisters

A LICENCE is about to be granted to build Finland's first medium-term storage facility for nuclear waste. It is a major step in the country's strategy for disposing of high level waste from its nuclear plants. But it is only the early stages in its long-term plans for the safe storage of spent fuels which stretch into the next century.

Finland began its production of nuclear energy in 1977. Now it bas two 440 Mw units at the Loviisa Power Station owned by Imatran Voima and two 660 Mw units at the Olkiluoto Power Station owned by Teollisunden Voima. Both are in southern Finland and the nnclear plants generate roughly 34 per cent of the country's electricity needs. Almost the same amount is provided by hydropower.

Now the country is faced withthe problems of the long term storage of radioactive waste fromthe plants. By 1990 a medium term storage area for spent fuel will he required and design plans are now on the drawing board to be implemented later ln this decade.

This will involve storing the high level waste at both the nuclear generating sites. Teollissuuden Voima — the Industrial Power Company — is now waiting for the government to grant lt a construction licence to build its interim storage plant. This building will he capable of storing all waste during the 30-year lifetime of each nuclear power unit. This is scheduled to be complete by the year 1988 and will be able to store about 1,200 tonnes of spent fuel.

Spent fuel at the Loviisa Nuclear Power Station, bowever, is stored for only five years and then transported in special casks back to the Soviet Union which supplied the technology and the original fuel for this complex.

Long term storage plans are not so certain. Finland'a Nuclear Waste Commission, set up in 1978, has been studying a variety of options. The hope is that facilities will be available outside the country by the time that the waste is ready for long-term disposal. Mr Heikki Raumolin, responsible for waste management plans at Teollisuuden Voima, explained that Finland could not simply assume that such facilities would he available. "We must prove that we can bandle waste with todays technology. We are sure thot the techniques will change. This is not the final solution."

Today's thoughts on the long-term disposal of waste are centred around burying the waste in bedrock. Finland has looked very closely at plans — discussed in an article on this page on August 18 — formulated by its neighbour, Sweden, whicb provided the technology to build the other two power units, and decided that a similar strategy was possible. Howevr, Finland wil not need to start constructing its underground nuclear dustbin until the year 2020.

In three year's time the commission intends to start some preliminary investigations for suitable sites for its underground silo situated sime 500 metres below ground.

Using today's technology the spent fuel rods from the four nuclear plants will be sealed in copper canisters. Based on calculations 850 such canisters will be needed to cope with the total number of spent rods. The canisters will be placed in holes drilled in the floor of the disposal tunnels. Tbe space between the canister and the bedrock will be filled with bentonite. This is a natural clay which swells dramatically when it absorbs water and will form a protective layer around the canister.

When all the canisters are in place the disposal tunnels and access shafts wil be filled with a mixture of sand and bentonlte sealing off the area, hopefully, forever, in the year 2050.

DORSET COMPANY WORKS FOR BREAKTHROUGH IN ENERGY STORAGE

Cool secret of the hot plates

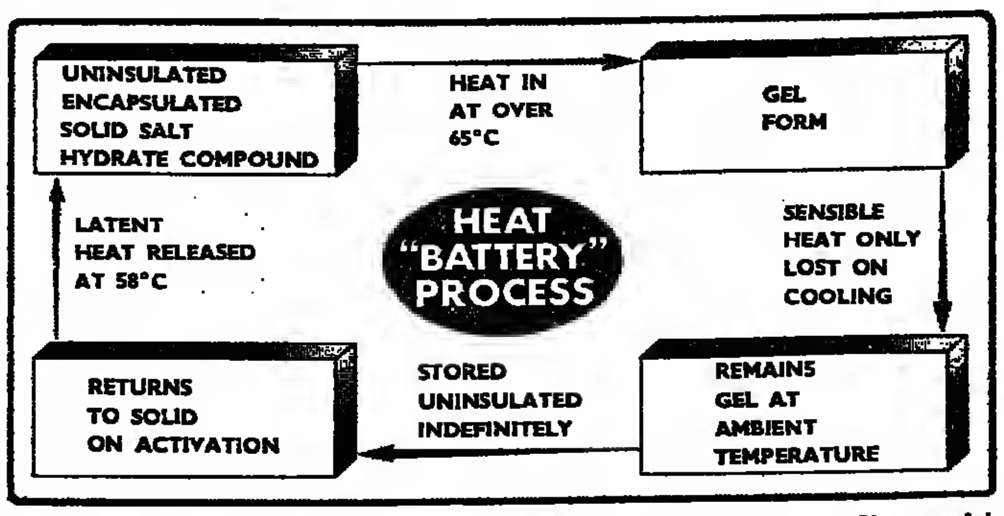
BY GEOFFREY CHARLISH

IF DEVELOPMENTS at a new company in Wimborne, Dorset, can be brougbt to commercial fruition, it might become possible to transport useful amounts of heat stored in a material which is not in itself bot.

This apparent contradiction of terms is explaioed by the nature of a new carrier material developed by tbe rompany, Altec Edeco, a joint venture of the international energy group Edeco Holdings, and Altec, an energy conservation consultancy.

Edeco it is understood, is in a position to fund tbe project lhrough to a commercial stage. It has specialised, to date, in equipment to locate and produce oil and bas an annual lurnover exceeding £15m.

The Altec Edeco system uses a basic principle of physics—latent beat—in wbich heat is absorbed or given off when a substance changes state between solid, liquid and gas. If, for example, ice is to become water al O deg C, it has to be supplied with a specific amount of beat which then remains "stored" in the water until it is frozen again, when the latent heat is released.



The process still has a long way to go before l reacbes the commercial slage. If successful it conld revolutionise energy storage

Substantial

For some substances, the amounts of heat can be substantial. One of these is sodium acetate hydrate and although its properties bave been known for some time, the difficulty has been in controlling them in a useful, repeatable and reliable way.

The interesting claim made for the Altec Edeco substance is that by the addition of a gum and other unstated materials, it can be made to operate ln two different ways.

The first is conventional in that when the salt changes from solid to liquid during the application of heat, latent energy is obsorbed and then will be naturally exchanged with lower temperature surroundings.

But in the second form, the reverse change of state is halted as a result of the chemical formulation. As before, the material is heated to produce a cbange from solid to gel at 55 degs C. But on cooling, lt loses only its "sensible" heat. This is the normal heat lost or gained by any material when it is cooling down or heating up.

However, the key feature of the material is that it does not immediately revert to its solid state and so does not give up its latent heat. The managing director of the company, James Stokes, is quick to point out that this is not another physical pbenomenon called super-cooling, which gives similar behaviour.

So the rather remarkable outcome is that the substance can, it is claimed, be cooled to room temperature while still storing a significant amount of heat in latent form; it contains heat but is not bot.

Activated

Just as remarkable is the fact that the substance can be activated when needed to release the latent heat. The company refuses to say exactly how this is done, but it is essentially a mechanical process says Stokes, and does not require the appllcation of much energy. A shearing action of the material is believed to be involved.

The implications of such a material are significant and it is known that companies such as Dow Chemical and Calor are moving ln a similar direction. But, according to Stokes, they have not reached the same point.

Indeed, Calor is now understood to be looking at Altec Edeco's system, which, it is claimed, is nol subject to beat traosfer problems. These can arise wheo lhe liquid is turning back into a solid: initial crystallisation on heat exchanger walls can produce an insulating effect and reduce further transfer.

There are a number of potential applications. The fact that the energy can be "carried around" without the need for insulation might for example, allow heat generated at remote power stations or geothermal sources to be transported to city oreas and released into beating systems.

Basic "building blocks" one metre square and 10mm thick can contain enough salt to store one kilowatt bour of latent heat energy. Such plates would be stacked in porallel with spaces between to allow water or air to flow through.

Home use

The company believes there could also be domestic applications. For example, in a domestic hot water cylinder the salt could be contained ln heat exchanger grids. While water is being heated in the copper cylinder in the usual way, the salts would absorb energy as they change phase from solid to liquid. When hot water is drawn from the cylinder, the salts would give up their latent heat to the new cold water entering the cylinder, which would therefore be able to supply new bot water much more readily than is normal.

There are also prospects for heat storage of a more flexible variety for off-peak storage heaters, solar collectors and beat pumps.

Military

There may also be a number of military applications ranging from re-useable heat seeking missile decoys to tank and vehicle engine pre-heating.

It is now known that heat is retained in the second type of material for at least six months, an indication more of the short length of trials so far than the ultimate storage life. Trials are being conducted to establish the long-term reversibility of the material.

The new joint company plans to be producing heat store panels within the coming year.

The Electricity Council, Central Electricity Generating Board, the Energy Technology Support Unit at Harwell and Ford all have examined, or plan to examine the experimental units at Wimborne. More on 0202 892551.

Graphics

Scientific terminal

A LOW cost, bigh resolution monochrome grapbics terminal has been introduced in the UK by Brent-Cybernex. The company says that the terminal is suitable for education and scientific work as well as in the business field. It allows seven variable character sizes to be used on the screen plus a communications port. More Information is available on 0582 432020.

Computers

Printer interface

TECHSOLV is a new British company which has launched its first product in the UK. This is an interface which allows the DEC computer system to use Qume, Diablo and Fujitsu daisy wheel printers without the need for any hardware and software modifications. More details on 0734 584 239.

Maps

Intelligent digitiser

AN INTELLIGENT digitiser cursor, called the Apache, has been introduced by Intertrade Scientific of High Wycombe. The company says that this can speed the digitising of cartographic details as small as 0.004 inch.

The device made by Altek in the U.S. is based on a 16 bit microprocessor generates co-ordinates at up to 100 points per second. More information is available on 06285 28231.

BUILDING AND CIVIL ENGINEERING

BRAZIL'S GLOBETROTTING CONTRACTOR

Junior in the big league

Andrew Whitley reports from Belo Morizonte

MENDES JUNIOR, Brazil's best-known civil construction and engineering company, says it is currently bidding on projects around the world worth a total of $5.4bn (£3.6bn).

But its hopes and future profitability are firmly pinned on a repeat order from Iraq for another major railway line, this time linking Baghdad to Basra, the port city at the head of the Gulf.

For the first time, it has teamed up with its arch rival in the Middle East, Hyundai, to bid for the $2.6bn (£1.7bn) contract to build a 500 km double track railway. Work should be split on a 60:40 basis between the two companies.

Sr Murillo Mendes, president of Mendes Junior International, travels out to Baghdad later this month together with Sr Saraiva Guerreiro, the Brazilian Foreign Minister who is on an official visit, in an effort to finalise the contract.

Mendes Junior and Hyundai both have a head start over their main competitors, a French-Greek consortium led by Dumez, through their track record in Iraq and the fact that their men and equipment are already available in the country. The Brazilian company is about to hand over formally the new 520 km railway line it has built from the phosphate mines at Akashat to Baghdad.

But the key to their confidence in winning the new Bagbdad-Basra project lies in the financial package they have put together. This includes loans backed by Britain's ECGD, probably in support of electrical equipment to be bought from British companies, as well as Brazilian and South Korean governments supply credits.

About 60 per cent of the Brazilian contractor's work now comes from abroad and that percentage is set to rise in the coming few years following the recent disastrous slump in domestic orders which has blighted the Brazilian industry.

Negotiations are at an advanced stage with Algeria for a major, low cost housing project: 15,000 units in five cities, at an estimated cost of $1bn (£666m), agreed under a government-to-government protocol. Talks are continuing with Algiers on a $330m (£220m) railway line from Tebessa to M'liai; while a third tender, for a major desert highway, National Road 12, has been lost.

While concentrating on the Middle East, its traditional sphere of action for nearly a decade, Mendes Junior is also scouring out new opportunities in West Africa, a region with longstanding historical ties to Brazil.

Bids are in for projects in the Ivory Coast, Nigeria and Angola though the company is reluctant to be drawn on details at a time of cut-throat competition in the international construction business.

One glittering prospect, in association with Petrobras, the Brazilian state oil company, is to build oil production platforms in China. Petrobras is already drilling for oil offshore in China.

Apart from being a tremendous business coup over its rivals, the Chinese contract would suit Mendes Junior ideally. Its own new platform yard in Brazil is virtually idle following the ending of domestic orders from Petrobras for the Brazilian offshore oilfields.

Beginning 30 years ago as a small contractor in Minas Gerais, the Mendes Junior family have built the company into Brazil's third largest civil contractor, with an income last year of $653m (£435m) at home and $476m (£317m) abroad. The company was responsible for installing a quarter of Brazil's entire hydroelectric plants, as well as many major pioneer roads.

Profits last year were $111m (£74m) for Constructora Mendes Junior, the domestic company, and $15m (£10m) for Mendes Junior International, its Grand Cayman Island-based subsidiary, which handles all overseas work.

Heavy pressure on the balance sheet of Constructora Mendes Junior has come from the company's steel mill, nearing completion in Juiz de Fora in Minas Gerais state. Initial output of its rolled products is set at 630,000 tonnes a year with a planned eventual capacity of 2m tonnes.

While the $680m (£453m) bill will give the company its own source of materials for new jobs, Mendes Junior also recognises that it is coming on stream at a time when there is already considerable over-capacity in the Brazilian steel industry. As a low-cost producer with modern equipment, the hope is to undercut established producers at home and find export markets.

The new steel mill and a joint venture in Brazil with Siemens, manufacturing electrical and mechanical equipment, called Insat, are part of the company's strategy of improving self-sufficiency and vertical integration.

But the company's biggest headache is unpaid government bills. The average delay on payment in Brazil is now between 180 and 210 days according to Sr Mendes. To meet working capital needs the company is therefore having to borrow far more than it would like on the domestic money market, where interest rates are running at well over 20 per cent a year in real terms.

CONTRACTS

Developing Selby town centre

Site work on the £4.7m Market Cros, Selby, town centre shopping development has started. York-based Shepherd Development Co. and Mack and Lawler Properties of Selby are joint developers of the scheme in association with Selby District Council. Main building contract, placed with SHEPHERD CONSTRUCTION, is worth £1.5m. SQUIRE W. SWIFT has a £100,000 contract for a car park.

The development covers part of the central area of Selby, and is bounded by James Street, Market Place and New Lane, with pedestrian access from the Market Place and James Street as well as vehicular access and pedestrian access from New Lane and Portholme Road. It is designed to form the heart of the town's shopping facilities.

To be known as Market Cross, it includes 22 shop units, and a retail store, and a re-sited Methodist Church. The refurbished "Abbey Vaults" public house will have frontage into the newly pedestrianised malls of the scheme. In addition extensive car parking is being provided with the initial building phase incorporating 140 spaces directly linked to the shopping malls. Completion is due by June 1985.

★

Demolition and excavation work is underway at Snaresbrook in East London to clear the way for rebuilding three crown courts damaged by fire. The £1.1m 14-month contract for the single-storey structure has been awarded to JOHN LAING CONSTRUCTION by the Property Services Agency. Reinforced concrete pad foundations will support a structural steel frame which will carry internal brick-work partitions. Installations of acoustically suitable hardwood panelling, and courtroom fittings are included.

★

TRUETT AND STEEL has won contracts in South London totalling over £1.5m. The largest is for sheltered housing and chapel at Haling Park, South Croydon, Surrey, for The Whitgift Foundation, worth £815,000.

★

The £1.54m contract for a four-storey office block on a cleared site in Aylesbury, Bucks, has been awarded to Y. J. LOVELL (MIDLAND) by Chesterfield Properties. The reinforced concrete frame will stand on bored piles which support caps and ground beams. External walls will be in red brick under the blue-black slate mansard roof. The open plan offices will provide 41,129 sq ft. Completion is scheduled for November 1984.

REFURBISHMENT

Margins getting slimmer

MR JOHN LELLIOTT is one of that rare and lucky breed of British builders still busy enough not to have time to beat about the bush.

"The point is," he says breathlessly, dashing in late to his Mayfair offices after a hectic morning of site inspections, "the major companies are now coming in to the refurbishment sector, often below cost, just to give their people something to do."

This accusation is greeted with a chorus of denials—some convincing, some less so—from Mr Lelliott's rivals. But the general direction of the sector does suggest he has justifiable grounds for concern.

Though Lelliott's billboards still crowd the lucrative City, West End and general South-East England commercial sites, the pressure is now on from names not immediately associated with the refurbishment business.

Paradoxically, it is the very success of the sector against other depressed areas of construction that has dramatically reduced profit margins and increased the competition.

That success is relative. In the first quarter of this year, private refurbishment output, excluding housing, dropped 3 points to 128.9 (1975=100) against the same period last year. This was in turn a marked fall on the 140.6 recorded in the first three months of 1981.

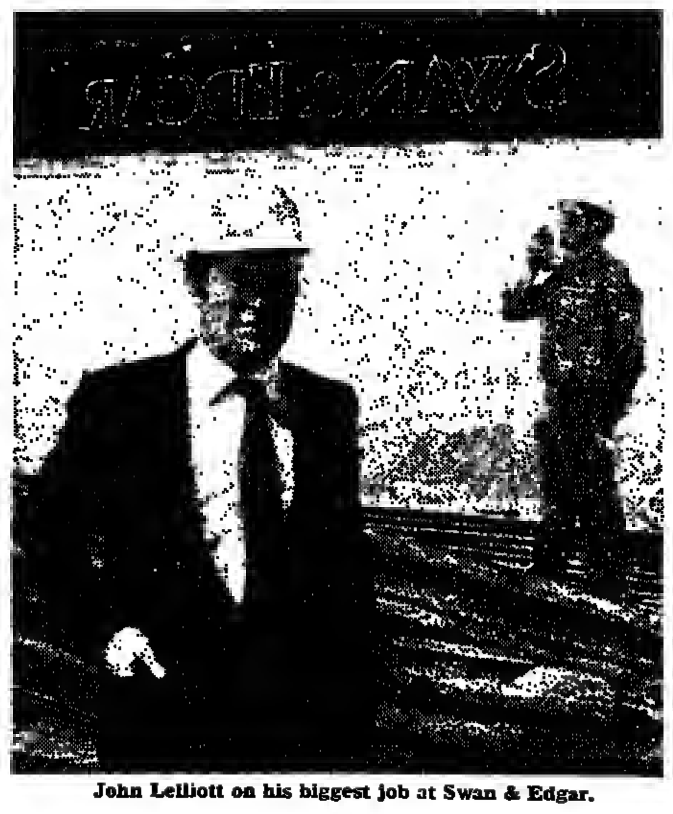
Nevertheless, alongside new private housing output (103.3 in the first quarter of 1983, but just 76.2 in the same period of 1981) or new industrial property building (73.8 and 74.7 respectively), refurbishment has thrived.

The building industry has not been slow to notice. As Mr Lelliott remarks: "The strike rate in tenders used to be one-in-three, now it is one-in-fifteen."

As a company with 80 per cent of its business in refurbishment, Lelliott has won its share of the new work. Draft figures for 1982-83 anticipate sales of £65m, while the projection for the group's turnover in the coming years is £82m.

However, pre-tax profits of £1.5m are expected to rise by only about £200,000 next year. "Prices have been forced down," explains Mr Lelliott. "The usual margins used to be about 5 to 8 per cent, but now they are often just 1.5 per cent above cost."

That trend is confirmed by Tarmac Refurb, set up as a pioneering specialist subsidiary of the main company in the West Midlands four years ago.



John Lelliott on his biggest job at Swan & Edgar.

Mr Graham Wigley, the chief estimator, confirmed last week that Midlands business had doubled to £4m since 1979, but margins are now down from the 5 to 7.5 per cent range to 2.5 to 5 per cent.

"It is not the major companies who have squeezed the market, though more are coming in," Mr Wigley said. "The smaller contractors are squeezing it down and we are forced to go in at cost or about cost to pick up the work."

The growing view among the major builders entering the field—among others, French Kier, Wimpey and Laing—is that many contracts under the £250,000 level are hardly worth a bid as smaller contractors fight for work to justify their overheads.

In London, where Lelliott claims almost 25 per cent of the market, the pickings are richer with major office and store refurbishment work providing a still-lucrative living.

But the competition has also created problems over contractors' increasing claims against clients for higher payments when sites are held up by delays or other obstacles.

"We have never been a claims orientated company," Mr Lelliott says, "but you are bound to get more contractual when margins get slim."

To counter this trend, Lelliott has doubled the company's estimating staff over the past 18 months. There are further moves to develop its management fee section, begun in October last year, projecting it as a logical cost saver for companies like stores and hotels where regular updating of design and fittings is required.

In its first year of trading, Lelliott Management Fee generated £5m in work, £2m more than was originally forecast.

The company has also adopted an "if you can't beat them, join them" policy towards the larger builders with plans to move strongly into new-build work, including some housebuilding, to supplement its refurbishment and mechanical and electrical services staples.

In the meantime, Mr Lelliott's acquisitive eyes will scan the marketplace for suitable companies in shopfitting, scaffolding and stonemasonry.

Nevertheless, he is convinced that companies' continued problems in financing the cost of commissioning new properties, the burgeoning environmentalist lobby and the problems that density regulations bring for new buildings will continue to give the refurbishment business a natural dynamism for the foreseeable future.

At present, Mr Lelliott believes he has plenty of time before considering going public, a move which he says he would only consider when he reaches his 50s. He is now 48.

IVO DAWNAY

AROUND THE INDUSTRY

A scheme has been launched by the National Federation of Demolition Contractors to commit "as built" drawings of all unconventional structures to microfilm, so that in the future, demolition experts can refer to the drawings and so demolish these complex structures with a minimum of risk.

The Register of Unconventional Structures is the result of several years of campaigning by NFDC to achieve greater safety and control in the light of the increasing trend towards prestressed structures and the development of unorthodox and unconventional building techniques and design.

A computerised survey system called SCI-HASP Digical ILS has been introduced by Survey and General Instrument Company to process the results of a land survey from field data collection right through to a final anotated plan plot. Designed for anyone with a need to process and manipulate data, the system is thought to be of particular use for local authorities and civil engineering consultants and specialist survey companies. Initial users include BP Exploration. More from SGI on 0732 864111.

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A voluntary training scheme has been established by the Asbestos Cement Manufacturers' Association as an alternative arrangement to the one previously operated by the Ceramics, Glass and Mineral Products Industry Training Board.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Calling in a tactician

"THE DAY I entered the Treasury, I knew that, one way or another, I could end up in a bank," says Jean-Yves Haberer, 50, one of *France's most distinguished* civil servants of recent years and now, since its nationalisation in February 1982, chairman of the financial and banking group Paribas.

What he did not foresee was the spectacular manner of his calling. As director of the Treasury at the French Finance Ministry, one of the most powerful posts in the administrative hierarchy, Haberer was in an aeroplane over Mexico accompanying President Francois Mitterrand to the Cancun summit of October 1981 when he received the message. The Socialist government was calling on a financial tactician who had already served political masters of a very different hue—he was a faithful aide of Right-wing minister Michel Debré during the 1960s and had become a close confidant of President Giscard d'Estaing—to pick up the pieces.

Pierre Moussa, the man who had built up Paribas as one of the world's most thrusting investment banks—and made it a key target of the Socialists' takeover campaign—had just resigned as chairman in a bitter row over nationalisation.

Traditionally vilified by the Socialists as a "state within a state" because of its complex web of financial interests, Paribas had succeded in flat-footing the Government's nationalisation strategy. It had managed secretly to sell majority control *in its key Swiss and Belgian* subsidiaries to ensure that they slipped through the takeover net. In the ensuing fluster, Moussa, together with other Paribas executives, were charged in connection with alleged illegal breaches of exchange controls — charges which are still pending.

In the midst of the October troubles, Haberer was recommended by former Paribas chairman Jacques de Fouchier—whose interest in seeing the bank surmount its vicissitudes was as strong as anyone's—as the man best able to take over the helm.

Now, more than 18 months after he took over, Haberer presides over a group which still makes reasonable profits, although last year its earnings were hit like those of most banks around the world.

The financial and industrial holding group Compagnie Financiere de Paribas, with total assets of FFr 347bn (£29bn) at the end of last year, recorded consolidated net profits down 27 per cent last year at FFr 506m. Profits of the Paribas banking arm, with a balance sheet of FFr 150bn (the fourth largest of French *banks) fell 26 per cent to* FFr 126m—although operating earnings (before tax, depreciation and provisions) rose by a record 48 per cent.

The new chairman—who is praised, even by those who also find faults, as a man of formidable intelligence and energy—has managed to keep the Paribas management team practically intact.

All the same, with the change of ownership has come a change in character—although less important than had earlier been feared among Paribas' partner banks.

At its most aggressive and basic level, criticism comes from those who say a state-owned bank cannot do the same free-wheeling job as a private institution. As one Paris banker who knows Paribas intimately puts it: "The idea of a government-owned banque d'affaires is an incredible paradox. It's like saying a man should be a successful jockey and eat foie gras and drink beer. It's so stupid."

Another Paribas insider who has detailed knowledge of both the Moussa and the Haberer eras sums up the change in a less extreme fashion. Although professing great "respect and professional esteem" for the new chairman, he says the "spirit, dynamism and capacity for entrepreneurial decisions" has been weakened.

The change has been emphasised, he says, by the decision of S. G. Warburg, the London merchant bank, to weaken its traditional links with Paribas, underlined through the two banks' cross-shareholdings in each other having recently been reduced. Paribas no longer has the same capacity says this insider, to attract top international talent into its senior management.

A third view comes from David Scholey, joint chairman of Warburg's. He plays down the modification of the two banks' links—"the structure is different, but the spirit is the same." Haberer, he says, has been faced with the task of "restabilising" Paribas and its staff after the fracas of autumn 1981—but in a couple of years' time, says Scholey, "he could emerge as a builder, too."

Jean-Yves Haberer: "Changing from a government to a bank is not a particularly French phenomenon."

Paribas enters a new era

David Marsh examines the impact of nationalisation on one of France's major banks and interviews its new chairman

JEAN-YVES HABERER himself goes to great lengths to underline his independence of manoeuvre at Paribas. In his first full-length interview since taking charge last year he said be "contradicts completely" charges of faltering dynamism.

Certainly Haberer, with his wealth of experience at the Treasury and his expertise on the international circuit (he was head of the EEC's monetary *committee* of treasury officials and central bankers before he took the Paribas job), is the best placed of the current batch of French bank chairmen to stand up to interventionist tendencies by central government.

Another top ranking French civil servant who has known Haberer on and off for over 20 years comments that he is probably mindful too of the need to retain the sympathy of the Right—in order to hold on to his job should the government, at some point in the future, change. "He keeps plenty of irons in the fire—without getting his fingers burnt."

Haberer, for instance, has been a friend of Jacques Delors, the Finance Minister, for two decades, and also remains in close personal touch with Moussa, whose advice—for instance on personnel matters—he values highly.

A well-organised man who has restructured the Paribas top management team on more precise lines than under Moussa's more informal approach, Haberer makes clear that he is in command.

He says he has been given just one general instruction from the Government: "to develop Paribas and make profits.

"Naturally I have been asked generally to support the financing of exports, help industry and small businesses and promote technological innovation. But since I took over I have not had one letter or telephone call telling me to do or not to do something specific for a particular enterprise."

Concerning the controversial government move in May 1982 instructing the banks to provide FFr 6bn (£500m) for the newly-nationalised industries, Haberer says: "That wasn't very good. The proof is that it has not been repeated. That belongs totally in the past. And in fact I didn't receive any instruction, but accepted in order not to isolate Paribas from the other banks which had accepted."

Haberer plays down the aspect of being "parachuted" from the Treasury to the chairman's job.

"Changing from a government to a bank is not a particularly French phenomenon. The French Treasury directorate has always been a nursery for the banks.

But there the link between the bank and the administration ends.

As an example of continuing enterprise, he cites in particular the bank's continuing expansion of foreign activities.

Overall international operations account for more than half its profits, with the bank present in about 60 countries. Last year it took over majority control in the New York securities firm Becker (now renamed Paribas Becker) by buying out Warburgs' 25 per cent stake. Paribas now owns 51 per cent, with the rest held by Becker employees. Becker was in the red in the first half of 1982 but has since returned to profit. Haberer is also maintaining Paribas's emphasis on investment in innovative areas like biotechnology — a sector in which Moussa took a keen interest.

The fear that Paribas would become a totally different bank under state control inspired the action by some of the bank's foreign partners to take control of its Swiss and Belgian subsidiaries through the Pargesa holding company.

Before nationalisation, says Haberer, "evidently the emotion of the bank's leading personnel was contagious, and a certain number of Paribas' partners (abroad) were nervous or even appalled at the idea of nationalisation. Not all, mind you—our friends at Warburg showed a degree of sang-froid and perceptiveness which was remarkable."

Since the takeover, however, "We haven't lost one deposit, one client or one privileged partner as a result of the nationalisation."

"When I went to New York for the first time to see the chairmen of the top dozen New York banks, I had some set phrases ready to explain that nationalisation had changed neither our competitive spirit nor our management. After some conversation I realised that that didn't interest them and that the event had simply been classified as without consequences. It bored them to listen to me on that!"

As a specific example of the bank's maintained reputation in the U.S.—where (like in parts of the Arab world) there had been particular disquiet in some circles before the takeover—Haberer says: "When I discussed buying out Warburgs' stake in Becker with the U.S. authorities, there was not the least reluctance."

The issue which raised so much emotion in October 1981 *—the question of* control of the Swiss subsidiary, Paribas Sulsse—is now, according to Haberer, a great deal less controversial. Links between the subsidiary—in which Paribas now owns 44 per cent and Pargesa 54 per cent—and Paribas have since been restored.

"Paribas Suisse, which carries our name, is considered like a subsidiary and part of our organisation," says Haberer. "The fact that we don't presently have a majority of its capital is not itself a hindrance from that point of view, since the other shareholders are not banks. They are friends of Paribas—we don't forget that—who were chosen by Paribas to take over the majority share in anticipation of a future direction to events which did not in fact take place. Nothing has changed in its management nor in the synergies which exist between us."

The most important reason behind last year's lower net profits was increased provisions *on lending risks — both for* "problem" countries like Mexico and Brazil and for companies in difficulty. Overall, Paribas provisions doubled last year to FFr 1.2bn.

In the case of some companies in which the Paribas holding company also has significant shareholdings, the need to make provisions has been compounded by the necessity to grant capital injections, making a dent in the bank's profit and loss account to the tune of several hundred million francs. The total Paribas investment portfolio is valued at about FFr 10bn.

The problem shareholdings include the banking subsidiary Compagnie Generale Immobilier de Banque, which has lost money by lending at fixed interest rates at a time of low credit costs; the Societe Generale de Fonderie boiler-making company; the Cofaz fertilisers concern (in which Paribas is planned shortly to sell majority control to the *Total oil group); and the inter*national trading group SCOA.

The holding company is also having to subscribe to a capital increase of about FFr 300m needed to repair the capital structure of the retail bank Credit du Nord, which made a loss last year and which is owned jointly with the Government.

Haberer takes a philosophical view of action to help companies in difficulties. Rescheduling of debts, he says, "is something which a bank has to do whether privately or publicly-owned. That's what I, as director of the Treasury, asked Paribas to do as a private bank during the last few years, and something which Paribas carried out as part of the banking community."

In one particular case of international lending—its exposure to the troubled Louisiana natural resources company Goodhope Refinery, where the Paribas group has $245m outstanding—the bank has been rumoured to have made losses. But, says Haberer, "contrary to all the malevolent rumours, we have not lost a dollar for the moment. Interest payments are guaranteed by a levy on the company's operating receipts, and the credits are guaranteed by the fact that the company's real assets are well above the banking debt."

It is in the management field that Haberer has shown most clearly his characteristic love of order and precision. One long-standing acquaintance recalls the shock waves he caused when moving from the Finance Ministry with Michel Debré to become his chief aide at the Foreign Ministry in 1968. "He really shook the diplomats by asking for five-page documents to be boiled down to two lines."

Haberer has kept Paribas' senior management team largely intact. The only notable departures have been Moussa himself, Gerard Eskenazi, the former joint No. 2, and Jean-Louis Masurel, formerly in charge of domestic banking, who has just left (Paribas was sorry to see him go) to become general manager of the Moet-Hennessy champagne company. But the directors have been regrouped from the loose-limbed "senior common room" favoured by Moussa into a 12-man executive committee which meets two or three times a week to run the operations of the bank.

Haberer rejects the idea that he has remodelled the Paribas team on Treasury lines by bringing in ex-civil servants. "I have recruited just two senior people from the Treasury (Phillippe Aubert, head of the bank's branch in Hong Kong and merchant banking subsidiary, and Philippe Dulac, who has taken over Masurel's job and has just been appointed deputy president of the Paribas bank). I have recruited them not because of where they came from, but because they are excellent and necessary—and Paribas would have done the same had it been private."

THE ARTS

Architecture

Colin Amery

Islamic inspiration

In the sumptuous setting of the second courtyard of the Topkapi Sarayi in Istanbul last night the Aga Khan and the President of Turkey presented the world's richest architectural prizes. It was in 1976 that the Aga Khan, Imam of the Ismaili muslims, established the Aga Khan Awards Foundation to encourage exceptional achievements in the arts and sciences. It is interesting that architecture should be the first broad area of concern. The Aga Khan was right when he said then that he could think of, "no other art form which exercises such a permanent influence over our lives."

The award is a lavish one: $500,000 is distributed every three years. But it is not just the large sums of money that make this a remarkable award: it is the aims and supporting activities that make it so worthwhile.

The aim is "to nurture amongst architects and related professionals a heightened awareness of Islamic culture while encouraging an architecture appropriate to the 20th century."

Someone, somewhere—the Aga Khan or his advisers—had seen that the 20th century, particularly with rising oil revenues in many Muslim countries, was about to destroy the *traditional* fabric of Islam. What a contrast to the West where an equivalent onrush of materialism has so often resulted in the ruin of our Western architectural traditions.

Anyone travelling in the Middle East, parts of Africa, Malaysia and India can see with his own eyes the spreading seas of indifferent, vaguely modern architecture that accompanies the emergence of nation states from colonialism. The award is to encourage the development of an architecture that is contemporary but aware of the roots and essence of Muslim culture.

It would be easy for this criterion to lead to a rash of poor pastiche buildings. To prevent this a complex selection procedure has been evolved that takes three years, involves confidential nominations, site visits by technical assessors and long discussions by a high powered international jury.

The prizewinning buildings are only part of the story. Seminars are held that have dealt with subjects as varied as "Architecture as symbol" (held in Fez) and the "Changing Rural Habitat" (held in Peking). The award also publishes an international architectural magazine *Mimar* and there is a research and teaching programme in Islamic art and architecture at Harvard. The emphasis is constantly placed upon the social, cultural and environmental aspects of architecture, not ignoring economics at the expense of aesthetics.

The Great Mosque at Niono, Mali

What is the result of all this high-powered travel and thought? In 1980, when the first awards were made, the jury's statement was somewhat equivocal and cautious. They did not consider they had found the ultimate in architectural excellence but "steps in a process of discovery." In that year they awarded prizes across a very broad range of projects.

This year the range is equally broad. The final 11 winners, selected from a total of 216 entries, show the wide geographical span of Islam — from Mali in Africa to Malaysia.

They also show the great economic gaps that exist between many Muslim countries. I thought that the final choice was both thoughtful and eclectic.

The Great Mosque at Niono in Mali was praised by the jury for its continuance of tradition in a contemporary building. A great four-towered mud brick structure — it was conceived and built by one master mason, his son and local labour. It was the vernacular integrity of this building that impressed the jury. The small white Sherefudin's mosque in the little Yugoslavian town of Visoko is, by contrast, modern in form.

Indeed the jury describe it as *avant-garde* — is the precursor of Mosques to come old-fashioned modern?

An arts centre at Giza in Egypt is in fact a school of traditional weaving and other crafts. This is deeply vernacular, demonstrating to the satisfaction of the jury that traditional architecture using local materials and local unskilled labour is "cheaper and more commoditive than conventional modern buildings using imported materials and technology." The Rameses Wissa Wassef Arts Centre is clearly the work of an artist.

Two private residences receive prizes, one at Sousse in Tunisia and one in a Turkish village. The Turkish house for a writer and an archaeologist was built in 84 days entirely by traditional methods. By contrast, the Tunisian development is more contemporary.

The most spectacular winner is the Hajj Terminal at the King Abdul Aziz International Airport at Jeddah, Saudi Arabia. Designed by the American architects Skidmore, Owings and Merrill, it is a grand and glorious modern version of the giant desert tent. This structure has to accommodate 5,000 pilgrims per hour — and shade and service them for up to 36 hours. As the jury says this design is an inspiration.

The Tanjong Beach Hotel in Kuala Trengganu in Malaysia is part of a tourist development conceived by the Malaysian government. It is modelled on the traditional wooden *istanas*, raised on stilts above the lagoons where rare turtles breed. These beautiful buildings demonstrate perfectly the aim of the award—the development of traditional forms for modern uses that will also help the country's economy.

There are also four restoration projects that highlight the need for more conservation work in the Muslim world. They are the domed tomb of Shar Rukn-i-Alam at Multan in Pakistan; the beginning of the rehabilitation of a whole quarter of old Cairo—the Darb Quirmiz; the reconstruction of the lavishly decorated Azem Palace in Damascus as a museum; and the reconstruction of part of the Medina of Tunis, the Hafsia quarter, as a low cost housing scheme which should provide a lead for the reconstruction of the older quarters of many Muslim cities.

There can be no doubt that this is an enlightened award, heightening an awareness of tradition and quality in the particular sphere of its influence. Islam's traditions are strong, but Western tradition has always been more fluid and able to absorb influences from all quarters. It is that intangible area—where tradition ... grows and changes with the times—that this award, and surely all good architecture, continues to seek at all levels.

Tales from Hollywood/Olivier

Michael Coveney

As a translator himself of three plays by Odön von Horváth and dissatisfied exile over the past few years in the cinema, Christopher Hampton has certainly found the right subject. At the National Theatre, Horváth is a fictional, confidential guide to the world of German writers who fled to Hollywood as Hitler cast his shadow across Europe. In fact, he never went there. He was killed in a storm by a falling branch in 1938. His plays had been rarely performed and indifferently received.

Hampton himself knows the vagaries of the film industry at first hand — I have long since given up bearing news of his promised version of *The Moon and Sixpence* — and, like many English playwrights, is in fact homeless. The National at least has offered a platform to his Horváth translations (I discount his unfortunate brush with George Steiner's Hitler debacle at the Mermaid) but even the latest of these is due to be premiered next year by the Manhattan Theatre Club.

Just as Australia last year winkled out David Hare's new play before anyone else, so the Mark Taper Forum in Los Angeles got Hampton going on his walk around the emigrés. The idea of Horváth in the chair is a brilliant one, worthy of Stoppard. But the melting pot of a migrant artistic community tolerated by and tolerating, just about, the rules of Hollywood, is not presented merely as a West Coast *Travesties*.

We meet Brecht locked in immutable conflicts with the Manns, Thomas and Heinrich. We learn about the formation of the European Film Fund and the slave wage conditions of the artists it sponsored. We are informed, in a glancing way, of the split among the emigré community over its attitude to Germany once the war is over. Some of these issues are dealt with more comprehensively in recent books, notably James K. Lyon's *Bertolt Brecht in America* and John Russell Taylor's *Strangers in Paradise* (which certainly won the best title contest).

Nonetheless Hampton's dramatic inventions are strikingly original and reverberative. In the opening scene, the branch misses Horváth who, with an affidavit in his pocket, finds himself failing to communicate with John Bluthal's savagely hilarious film producer over the next British historical subject, *Edward II*. ("In your story the King of England is a goddam faggot!")

The crux of the play lies in the natural attraction Horváth feels for the older Mann, Heinrich, a discarded shell whose *The Blue Angel* has been served up in foreign dressing. Michael Gambon's shambling, unsurprised Horváth makes spiritual contact with Philip Locke's disappointed Heinrich while Thomas drones on at social functions and reads from mighty tomes at the drop of a hint not to.

The scheme is reinforced by Horváth's relationship with Heinrich's ex-barmaid wife Nelly, whom Billy Whitelaw first of all threatens to restrict to a Barbara Windsor impersonation. But at Horváth's 40th birthday party (he died aged 37), Miss Whitelaw enters, drunk as usual, with the cake. Save for a tiny white pinafore, she is magnificently naked. Horváth knows he has arrived, loving the vulgarity Brecht finds so obnoxious.

"I feel like a sausage in a greenhouse," exclaims Bertolt after the interval, Ian McDiarmid having a field day as a vulpine cynic who invades the auditorium with explosive sneers at the naturalistic settings. He commands white light wherever he goes. My only objection here is that Peter Gill's production weighs the arguments between Horváth and Brecht just a shade too obviously. All good bourgeois National Theatre goers will love a guffaw at the old fox's expense.

Thomas Mann (vaguely played by Guy Rolfe) disappears a little too quickly into the maelstrom and I am instantly suspicious of any production these days that employs strobe lighting at key points, such as during Nelly's successful suicide bid. Nor does Alison Chitty's assemblage of three screens, sliding furniture and solid full frontal interiors really coalesce into a convincing design pattern. Surely, too, Mr Bluthal could have been allowed to complete a trilogy of Hollywood types in the final Hockneyesque swimming pool scene.

Hampton's great achievement, however, is to have given real animation to a series of complex arguments about the status of the artist in a hostile community; to have elucidated, in a most entertaining way, the continuing debate about what you can get away with in the theatre; and to have melded historical characters and enmities with bravura strokes of telling economy and imagination.

Barbara Flynn gives full weight to a Jewish girlfriend on whom Horváth has practised a final deception, and the whole zany *hellzapoppin* might best be summarised by the early intervention of a character swinging down from the wings: "Me Johnny Weissmuller. You Thomas Mann." Just so. Hampton has written a play whose message (sorry, theme) is not confined to the historical circumstances it so vigorously illuminates.

Concertgebouw Orchestra/Albert Hall

Andrew Clements

A regular visitor to the Proms, the Amsterdam Concertgebouw Orchestra is doubly welcome when it comes here under its principal conductor, Bernard Haitink. They are to give two concerts in the Albert Hall; tonight the main work will be Shostakovich's eighth symphony, and on Saturday they tackled a symphony on a yet grander, more epic scale, Bruckner's Ninth.

"Tackled" is a mean description of an account so comprehensive, so unforced. The warmth and golden mellowness of this orchestra may have evolved as a direct result of the acoustics of the Concertgebouw itself, but the long tradition of Bruckner and Mahler playing has surely left a mark also. No timbre is more suited to Bruckner than this, with strings of impenetrable depth and smoothness and a brass choir of undimmable splendour. Most unexpected was the clarity: for all the generosity of tone not a scrap of detail went astray, not a single counterpoint was obscured. The blend was given edge by a trio of trumpets of quite spectacular incisiveness.

Haitink's concern for clean logical outlines never paid more handsome dividends than here. His shaping of paragraphs is unerring, his pacing unquestionable. It was in strict chronometric terms a relatively swift Ninth, though where it pressed unnaturally forward I could not say. More by his refusal to linger, despite all the temptations of such a pliant and responsive body of strings, did Haitink make his points with economy; certainly there was no want of amplitude in the melodies of the final Adagio, and the great brass climaxes were articulated with exceptional care.

Such a colossal performance all but obliterated memories of Mozart's Haffner Symphony before the interval. It was nevertheless a view of the symphony fit to set beside Bruckner—powerful in its outer movements, firmly sculpted in its Andante, with no nonsense about over-thinning the bass line: four double basses were the correct order of the day.

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An hour and a half after the Concertgebouw players had quit the stage (though not before the Promenaders had successfully demanded an encore) it was refurbished, with sumptuous red carpet, for the second all-night Prom of music from north India. Two years ago the programme had consisted entirely of rāgs; this time, however, much of the night was given over to the dhrupad, an even more venerable form which has only recently been saved from total extinction.

The dhrupad is a vocal form, demanding a formidable singing technique with a multitude of inflections and changes of timbre. It builds slowly, on an appropriately Brucknerian scale; the first of two dhrupads lasted 80 minutes, from the first halting, sustained tones to the lively improvised "composition" in which the pair of male voices were joined by a pakhawaj drum. The Dagar family has been responsible for rescuing the dhrupad from oblivion, and Zia Fariduddin Dagar was one of Saturday's singers, together with his pupil, Ritwik Sanyal.

The austerity of the dhrupads was relieved by two instrumentalists, the sarangi player Ram Narayan and the flautist Hariprasad Chaurasia. Mr Narayan's instrument is a squat, three-stringed affair, played with a heavy bow; the technique relies heavily on echo effects from the sympathetic strings, but the results are largely meditative, finely inflected. He and Mr Chaurasia appeared with the tabla player Kashinath Mishra, and it was the husky, fluttering flute tone that made the strongest impression of the night.

Mare Nostrum/ICA

Andrew Clements

Mauricio Kagel shares with Luigi Nono the distinction of almost complete neglect in Britain. Both are leading and influential composers in Europe, and neither's work has become established here. Some of Kagel's instrumental pieces we have got to know through his collaborations with the London Sinfonietta, but of his sizeable output for music theatre, the core of his achievement, we have seen next to nothing.

For that reason alone, MusICA's staging of Kagel's 1975 allegory *Mare Nostrum*, the first in this country, was the series' most ambitious and important project to date. It utilised expertise from several Continental productions, notably in its two protagonists, John Patrick Thomas (counter tenor) and Lorenz Minth (bass baritone). The six instrumentalists were home produced, and conducted by David Sawer.

Mare Nostrum bears the subtitle "The discovery, pacification, and conversion of the Mediterranean by a tribe from the Amazon." It presents colonisation turned on its head, as the invader journeys from Portugal to Israel, commenting on the habits of the countries as he "*civilises*" *them. The* French brandish Tricoleurs and throw their refuse into the sea; the Italians are "small and gross, with sunglasses and curly black hairs;" The Turks "believe in both the war and peace." It ends in tragedy as invader and invaded embrace in *mare nostrum* (represented by a child's paddling pool) and the new coloniser knifes his subject in the back.

It is all good, if rather obvious satire. Kagel's humour is like Woody Allen's: you either love it or hate it. For this listener at least, most of *More Nostrum* was entirely resistible. The mileage to be extracted out of broken English mispronunciations (the work was given in John Patrick Thomas's new English translation, approved by the composer) runs out well before the 75-minute piece has finished; a few musical jokes go on for far too long. More rewarding was the beauty of some of the musical interludes: fragile textures drawn from the ensemble, sometimes developing the sound of a dramatic gesture into something fresh and entirely unforeseen.

As an antidote to the serious, self-important music-theatre works that are often produced in London, Kagel's deflationary wit is invaluable. But in this case at least one cannot deny that the final result is a disappointment: thin and without a single striking image, musical or theatrical, to carry off home.

Wexford Festival

Elaine Padmore, artistic director of Wexford Festival Opera, has announced that three operas will be performed at this year's event, to be held from October 20 to 31. They are *Hans Heiling*, by Heinrich Marschner, *Donizetti's Linda di Chamounix* and Wolf-Ferrari's *La Vedova Scaltra* (The Cunning Widow).

This year the recital and concert programme has been substantially increased.

BBC Symphony/Albert Hall

David Murray

The main work in Friday's Russian Prom was Stravinsky's "mélodrame" *Perséphone*—undanced of course, but with the heroine's spoken part elegantly declaimed by Claude Mathieu. Stravinsky obviously imagined the tenor solos for a lighter, brighter French sound than Philip Langridge can really muster, but if that caused him *any discomfort* it showed only in some strained top notes; his ardour and his musical diction made compensation. The suave choral writing was safely entrusted to the BBC Singers and John Walker's Tiffin School Boys' Choir.

The piece cast its usual cool spell under David Atherton's direction, though this time its contours seemed a degree over-smooth. Its pastel tones—subtle variants of grey flecked with higher tints, and a soft vernal wash for the return of Spring — were nicely realised; there was less sense of the taut, spidery line that guides the dance (and Atherton allowed some recitatives a disproportionate breadth). Perhaps the Albert Hall is a bit large for the piece to preserve its dry edge, or perhaps the BBC Symphony has been working too hard lately. Still, they gave a graceful account of this rarefied Stravinsky-Gide product, which demands the utmost tact.

They were self-effacing to a fault in Prokofiev's Violin Concerto No. 1, where the exquisite solo part—scherzo-tricks and all—needs a tingle of electricity in the orchestral support, not just discreet following. But Atherton may have felt that György Pauk's superbly musical playing should claim the foreground completely, and one could only sympathise: Pauk found lyrical sense in *everything*, making a decisive rebuke to the great Huberman (who famously refused to play the Concerto).

Rimsky-Korsakov's "version" of Mussorgsky's *A Night on the Bare Mountain*—more exactly, Rimsky's fantasy on certain themes from the piece!—had made a vivid start for the concert. Presumably its place in the repertoire is sealed by Disney's *Fantasia*, and by the fact that it practically plays itself and goes down easily; Mussorgsky's original is longer, tougher and more dangerous, and fairly breathes the post-Glinka Russianism which Rimsky was so clever at deodorising to please cosmopolitan noses.

Russian avant-garde art at R.A.

Nearly 300 works of art drawn from the world's most important private collection of Russian modern art, belonging to George Costakis, will be on view at the Royal Academy from September 17 to November 13.

Costakis began to collect the work of the then-forgotten Russian avant-garde in 1946. Over 25 years he saved a chapter of Russian art history, 1910-1930, from oblivion and discovered more than 45 artists, many of whom, fearful for their careers, had abandoned abstraction and concealed their best work.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

September 2-9

LONDON

Philharmonia Orchestra conducted by [illegible] with Ralph Wallfisch, piano. Weber, Dvorak and Beethoven. Barbican Hall (Mon). (638 8891).

Philharmonia Orchestra conducted by Carlos Paita with Daniel Varsano, piano. Weber, Mozart and Beethoven. Barbican Hall (Tue).

Philharmonia Orchestra with the Choir of Kings College School, Wimbledon, conducted by Arpad Joo. Philip Fowke, piano. Beethoven, Tchaikovsky and Mendelssohn. Barbican Hall (Wed).

Philharmonia Orchestra conducted by Carl Davis with Erich Gruenberg. Beethoven, Bernstein and Davis film themes. Barbican Hall (Thur).

PARIS

Piccoli Cantori Della Turrita conducted by Eros Deltraminelli: Palestrina, Monteverdi, Mozart, Verdi, Bartok (Mon 8.30 pm) St-Louis en l'Ile Church.

Orchestre Français des Jeunes conducted by Jerome Kaltenbach: Xenakis, Ravel, Bartok (Mon 8.30 pm) Salle Pleyel. Admission free.

One Hour With Ravel by David Abramovitz, piano (Tue 8.30 pm) Town Hall of the 5th Arrondissement.

Christiane Trapiex, soprano, Chiara Banchini, violin, Françoise Lengelle, harpsichord: Cassanea de Mondonville sonatas and cantatas: Concert Spirituel (Wed 8.30 pm) Sainte-Chapelle.

Cracow's Philharmonic Orchestra and Choir conducted by Tadeusz Strugala: Szymanowski's overture op. 12, violin concerto, Stabat Mater (Thur 8.30 pm) St-Eustache Church.

All these concerts are taking place in the framework of the Festival Estival de Paris, tel: 271 5700; sale of tickets Mon to Sat 11 am to 7 pm: 14, rue François Miron, Metro Hôtel de Ville, tel: 271 5700 and Bateaux-Mouches – Port de la Conférence, Pont de l'Alma Rive Droite; Metro Alma, tel: 225 2255.

Beethoven: Presented by the Choir of Kings College School, Wimbledon, conducted by Arpad Joo.

Ars Antiqua de Paris: 16th-century Spanish music, Shakespeare and Elizabethan music (Mon 6.30 pm and 8.30 pm) Sainte-Chapelle (340 5517).

Paul Kuentz and choir with Huguette Dreyfus, harpsichord: Albinoni; C.P.E. Bach, De Falla, Bach Brandenburg Concerto No 5 (Tue 9 pm). St-Severin Church (633 8761).

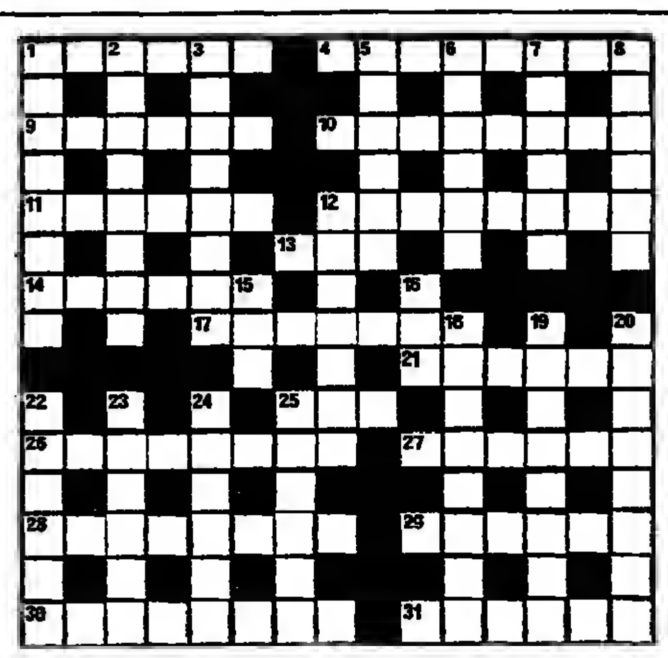
F.T. CROSSWORD PUZZLE No. 5,208

ACROSS

1 Space taken up by one-time holiday accommodation (6)
4 Surprised by sudden movement in front (8)
9 Plant is hard to redeploy (6)
10 The dog is a bounder (8)
11 Particularly confused fellow in New York (6)
12 Pretended to be influenced (8)
13 Mischief-maker involved in libel faces conviction (3)
14 Enthusiastic gunners get set (6)
17 How to dispense with chokes? (7)
21 Multiple forecasting by better American (6)
25 Borderline hesitation (3)
26 What fired Turner? (8)
27 Throws away the bandages (6)
28 Additionally, there's less underneath (8)
29 River always going in two directions (6)
30 Investing with relish (8)
31 How to pin down the principal (6)

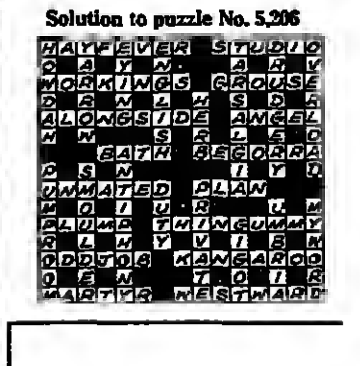
DOWN

1 Make mistake with an attempt at chivalry (8)
2 As far as washing goes, make dirt disperse (4-4)
3 Young bird is settling in comfortably (8)
5 Warning: cover cancelled (3-3)
6 Expensive turn round is initiated (6)
7 Unbroken, but limb has a toe cut off the end (6)
8 Make fun of the French hack (6)
12 Ended in confusion (3, 4)
15 Stop noise coming through crack (3)
16 It's inflamed because it's not kept clean (3)
18 First aristocrat seen on site compound (8)
19 Take covering off grave—it's quite shallow (4-4)
20 Spare one from the cast (8)
22 Gently frosted and ready (6)
23 Claims one quarter is bestile (6)
24 Pushes joints? (6)
25 Man takes the lead in this matter (6)



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Solution to puzzle No. 5,206



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Monday September 5 1983

An affront to order

THE CONSEQUENCES of the shooting down of the South Korean airliner in Soviet airspace last week are likely to be with us for a good while yet. Even in these early days, however, it is worth trying to establish the principles—or rather lack of them—involved. At the very least, it looks like an affront to international order.

One way of looking at the incident is to imagine what would have happened if something similar had taken place in the United States: (say) the U.S. Air Force had shot down an East European carrier over Alaska. There would have been an international outcry certainly; indeed there has already deservedly been an international outcry over what happened in Soviet airspace. But there would have been one great difference: citizens of the U.S. would have joined in, possibly even have led, the protests against the action of their own government's forces.

Rules

There would have been another difference, too: the U.S. protestors would have demanded and would have achieved a full inquiry into what took place. Not just the peace movement, but probably a large section of the Congress and of the Administration would have supported the protest.

It would be idle to compare Soviet and American societies, and especially their political systems. The Soviet Union just does not work like that and there is a case for saying that it should be left to get on with its internal affairs in its own way. Yet the shooting down of a foreign civil airliner is not an internal matter. If the Soviet Union wishes to participate in international agreements of any kind, it must stand by the rules.

There are two instances in the present case. On the realistic assumption that the Korean Boeing strayed into Soviet airspace by accident, the first is that there is an established code for dealing with civil intruders which does not include shooting them down. The second, on the charitable assumption that there was some confusion about communications, is that there must be an inquiry to establish what happened, if only to lessen the risk of such a disaster occurring again. For the point is that accidents will happen and it is the duty of any party to an international agreement to seek to prevent them.

The Soviet Union has not so far been compliant and the reaction of much of the rest of the world will not be known until President Reagan appears on television later today. For our part, however, we believe that it would be wrong at this stage to pursue sanctions against the Soviet Union that have nothing directly to do with this latest incident.

Sanctions have a habit of not working and, as we know from recent experience, of leading to disputes among allies. Above all, it would be wrong for sanctions to be undertaken unilaterally by the United States, not least because it was not an American airliner that was shot down. Other Soviet-U.S. and East-West consultations, such as the arms talks in Geneva and the meeting between Mr Shultz and Mr Gromyko in Madrid, should go on because they are about other issues which will need to be pursued in any case, though they cannot have been facilitated.

Apology

That is not to say that the incident should be in any way forgotten or played down. The Soviet Union has broken all principles of international order. The civilised world, defined as those countries which do not go about shooting down stray airliners full of innocent civilians, has a strong case for going on pressing for an explanation, an inquiry, an apology and compensation. And, of course, the rest of the world will always remember when it comes to international agreements that this is how the Soviet Union tends to behave. The prospects for East-West agreements have thus been retarded. It is in the Russians' own interests to come clean about what really happened last Thursday. Surely a great power can occasionally manage to apologise?

TUC in search of a role

BRITAIN'S unions will spend this week in Congress at Blackpool attempting to accommodate themselves to reality. The indications are that they will go some distance along that way; they will recognise the British government and agree to formal talks with Mr Norman Tebbit; they will adopt a more realistic style of national level bargaining, asking for the moon in bits, rather than all at once; they will distance themselves from the Labour Party under a smoke-screen of brotherly rhetoric; and they will try once more to make their own organisation and bargaining procedures more effective.

Agreeing these modest reforms will be a hard fight; the strategy of keeping the powder dry for a better battlefield holds many attractions, not just for left-wingers. But, assuming they will be passed, will the changes be enough?

The structure of industry is rapidly becoming less and less advantageous to traditional—some would say, to any—forms of trade unionism. The industrial armies in large plants, relatively easy to organise and to discipline, are being shaved down (where they are not being closed down) as companies contract out more and more service and even manufacturing functions to small companies.

The older heartland industries of engineering, shipbuilding, mining, steel and docks continue to reduce their work forces, while others, like printing, are transforming themselves through technical change. In many of these sectors, traditional union practices have damaged competitivity and contributed to decline: where that has been allied to management incompetence, the result has often been fatal.

Indifference

Class-based trade unionism no longer has the industrial underpinning and moral force it once exerted: its high water mark was in the 1970s and that was a freak tide. It created an oppositionist class of managers who accustomed themselves to a war of attrition, emerging from the trenches only to lob a grenade at the other lot when they weren't looking.

The growth areas of employment are in small and technically advanced sectors where trade unionism has to fight to establish itself, not so much against management hostility—though that exists—as against workforce indifference. Where they do manage to organise, as the electricians' union has, at Inmos in South Wales, they must come as close to accepting a ban on strikes as you can in a free society. Few new companies now feel themselves obliged to pay much attention to union representation and many have found themselves able to avoid it entirely.

Management's hand has, of course, been strengthened by the fear induced by unemployment and further steadied by successive pieces of legislation to which there is presently no end in sight—the Prime Minister has spoken of an industrial relations bill every other year while she remains in power. As important as these factors has been the steady decline of the proportion of manual workers in the labour force and the growth of functions which are managerial, supervisory or technical. In many companies, the "management" is not readily identifiable: it is ubiquitous.

Balance

So what are unions for in the 80s and 90s? They will not disappear, nor should they. There is ample evidence in Western Europe that workers in the unorganised, semi-clandestine industries which still flourish would benefit from unions which help to enforce decent working conditions and health and safety requirements, and bargain for better than breadline wages. There is even more powerful evidence from Eastern Europe that, where unions are reduced to state transmission belts, the natural response is to fight for independent unions as a prelude to full democracy.

They will have to change. They must do much more than talk to Mr Tebbit, which is neither here nor there if the talk is sterile. They must bring into their routine deliberations long-term economic calculation and balance these, in a much more conscious and responsible way than they have done in the past, with short-term demands. They will be required to serve a much more disparate membership much more sensitively and that will mean the kind of democratic procedure which the members themselves appear to want and which Mr Tebbit is anxious to give them. They will have to put themselves at the head of technical change, not cling to its tail. In short, they must change utterly, and soon: otherwise, their dwindling will be unlamented.

CONGRESS AND THE IMF

The battle with the banks

By William Hall in New York

"The price of an $8.4bn increase in IMF authorisation in Congress is going to be legislation so lawmakers can go home and say we didn't bail out the banks—we helped international trade and made sure the banks would not do the same things over again," Sen. Jake Garn, chairman of the Senate Banking Committee, April 1983.

A TIME bomb is quietly ticking away underneath the international banking community and clues to its whereabouts will not be found in Rio de Janeiro, Buenos Aires or Mexico City, but in Washington.

Over the next few weeks the fierce political debate in the U.S. Congress on the planned increase in the American contribution to the International Monetary Fund (IMF) is likely to come to a head, quite possibly at exactly the same time as the annual meeting of the IMF convenes in the city at the end of the month.

This will be embarrassing for President Reagan who for months has been telling anyone who cared to listen that "no legislation now before Congress is more important to a healthy world economy." But for congressmen like Tom Daschle from South Dakota, the IMF quota increase is totally unnecessary and only "designed to make sure that some of our go-go bankers who got in over their heads on shaky loans to foreign countries, would not have to pay for their own mistakes."

Many countries are waiting to see how the U.S. acts on the IMF quota increase before they subscribe their own money, so the well publicised problems the U.S. administration is having in winning Congressional support are having a "knock-on" effect as other countries delay their quota increases. This could not have come at a worse time for the Fund which is facing a record demand for its resources but is short of lendable resources.

However, the short-term liquidity problems experienced by the IMF could turn out to be relatively unimportant when compared to the damage which could be done to the international banking system if some of the more radical proposals are not deleted from the final U.S. legislation.

Damage could be done to the banking system

At their most extreme, the amendments which have been tacked on to the House of Representatives' version of the IMF Bill could lead to a major reduction in future U.S. bank lending to Less Developed Countries (LDCs). Given that U.S. banks account for roughly a third of all bank lending to countries facing debt problems, any cutback in their lending means that other banks would have to shoulder a proportionately bigger share of the burden of helping the "super-debtor" countries like Brazil, Mexico and Argentina.

There has never been much love lost between America's big banks and its politicians, but the strength of opposition to the IMF Bill has nonetheless caught bankers by surprise.

As the debate has progressed opponents of the IMF quota increase have begun picking up support from some strange allies. Mr Ralph Nader, the consumer advocate, the organised peace movement, religious leaders, the anti-South Africa brigade, the U.S. steel industry, the anti-nuclear war lobby have all taken an interest. Some congressmen, meanwhile, have tabled — as the price of support for the Bill — a series of amendments, many of which have not the slightest thing to do with the IMF quota increase.

There is a strong feeling among many U.S. politicians that the big U.S. banks and the "super-debtors," have only themselves to blame for their current problems and should not be "bailed-out" by the U.S. taxpayer via an increase in the American contribution to the IMF. There is also a strong lobby that believes federal and state bank regulators have let the side down by falling to curb the rapid growth in U.S. bank lending to the LDCs over the past few years.

By last spring it was already clear to the Administration that Congress would only agree to an increase in the contribution to the Fund if conditions were attached which, in the words of one senior congressional staffer, "would stop U.S. banks making fools of themselves again."

To head off Congressional criticism of allegedly lax international supervision, U.S. banking regulators announced a five-point programme in early April to strengthen supervisory practices and avoid excessive concentrations of credit in foreign countries in future.

The five elements of the regulators' plan are: strengthening of the existing programme of country risk examination and evaluation; increased disclosure of banks' country exposure; new rules for accounting for fees; improved co-operation with other international banking regulators and the IMF; and the introduction of a system of special reserves for loans to countries with "severe and protracted debt servicing problems."

The last item is the one that has really upset the bankers, many of whom have been slower than some of their European rivals in making provisions for LDC debt. The regulators indicated they would like to see an initial provision against earnings of 10 per cent which would be known as an "allocated transfer risk provision." It would be separate from the general allowance for loan losses and would not be regarded as part of capital.

The regulators did not specify which countries would be singled out as "reservable" but bank analysts believe that under this provision only Zaire, Sudan and Poland would have sufficiently protracted loan problems to be included. Since combined U.S. bank lending to these countries is less than $2bn, the impact of any special reserves on 1983 earnings would be minimal.

Nevertheless, there was an outcry from the banks. Mr Tom Labrecque, president of Chase Manhattan, described them as "duplicative and punitive" and Mr Peter Read, head of international banking at First National Bank of Boston estimated that if these rules had been in effect when the Mexican rescue package was put together earlier this year, more than one fifth of the 575 American banks which participated would have dropped out which could have undermined the whole deal.

The Senate version of the IMF bill adopted the regulators' proposals virtually intact; but the House of Representatives decided they needed toughening up, particularly in the area of special reserves. Consequently, they inserted a key paragraph in their version of the legislation which says that special uniform reserves should be set up "where there is a substantial likelihood that such debt cannot reasonably be expected to be repaid in accordance with its original terms and conditions without additional borrowing or restructuring."

The House Banking Committee stresses that the regulators will still have considerable discretion, but U.S. bankers are very disturbed by the prospect since it means that virtually all the major countries facing rescheduling currently would be "reservable." If, for example, the top nine U.S. banks were to make a 10 per cent provision on their $64bn of loans to the top dozen LDC borrowers this would wipe out their entire profits for a year and decimate their capital base.

The second concession the bank regulators have made was on the sensitive subject of capital adequacy. For years the 17 so-called "multinational" U.S. banks have been able to maintain lower capital ratios than the rest of the nation's banks because it was argued that their loan portfolios were more diversified and hence less risky.

However, Congress is not happy about this and the preliminary version of the Senate banking committee's Bill included a clause calling on bank regulators to establish uniform systems for measuring capital adequacy in order to ensure that "larger banks are adequately capitalised."

In early June U.S. bank regulators capitulated to Congressional pressure and issued new capital adequacy guidelines which took effect immediately. The privileged status of the 17 multinational banks was abolished and for the first time in their lives they were asked to observe a minimum 5 per cent capital ratio. The new regulations were particularly embarrassing for several major players in international banking. Bank of America, Citicorp and Chase Manhattan were all found to have capital ratios below the minimum and have been politely told to rectify this before the year is out.

The Senate version of the IMF funding Bill, S 695, is based very much on the suggestions of the bank regulators and is far and away the mildest of the two Bills now before Congress. It was approved by the full Senate on June 8 by a majority of 55 to 43. This may seem a healthy majority, but more than twice as many Democrats (the minority party in the Senate) voted for the Bill as Republicans, the majority of whom voted against the Bill.

The Administration could still face problems in the Senate with the IMF Bill. But the main obstacle is in the Democratic controlled House. Its version of the Bill, HR 2957, scraped through on August 3 by a majority of 217 to 211 but only after dozens of amendments had been attached to the proposed legislation. In its present form (see panel), it is totally unacceptable and it will be up to the conference of the Senate and House to try to hammer out a compromise.

President Reagan is not in a strong position to dictate terms. The Democrats argue that, because they have already "bailed out" the Administration, they are owed a few favours. One of these is support for a housing Bill which is stuck in the Senate. The housing package is the pet project of Representative Fernand St Germain, Chairman of the House Banking Committee, who has been pushing hard for the IMF Bill. He is threatening to block it in the Senate-House conference until the Senate agrees to his housing package.

But this is by no means the Administration's only problem. Some of its more conservative supporters have launched a vicious attack on Democratic supporters of the IMF Bill who tried to block the insertion of a clause instructing the IMF to stop lending to Communist dictatorships. These Democrats have been accused of "supporting communism" in press releases distributed by the National Republican Congressional Committee, the Republican Party's official organising body for the congressional elections.

Regulations which embarrassed several big banks

Representative Tony Coelho, a Californian, believes that this "vicious, nasty, mean" campaign could "doom" the IMF funding when Congress votes.

The IMF legislation is therefore in deep trouble on Capitol Hill. The Administration may now be wishing it had never agreed to support the quota increase in the first place, but observers believe that it will push the Bill through at whatever cost. That is what is worrying the bankers.

Jacques de Larosiere, IMF managing director.

THE BANKS' MAIN WORRIES

U.S. BANKS' main worry about the House of Representatives' version of the proposed IMF legislation is the severity of the special reserve requirements for problem countries contained in Sect. 404 of HR 2957, otherwise known as the International Recovery and Financial Stability Act.

But for the Administration the amendments which were tacked on to the House version of the Bill are the real nightmare. The most radical are as follows:

Instructions to the U.S. executive director at the IMF:
- Actively oppose loans to countries practising apartheid, or Communist dictatorships (Sec. 304);
- Oppose loans which bail out the banks (Sec. 312);
- Take into consideration if a borrower from IMF has detonated a nuclear device before recommending IMF loan (Sec. 316);
- Withhold U.S. quota increase until salaries of IMF senior management brought down to a maximum of $67,500 and subsidised housing loans ended (Sec. 323);
- Support conversion of debtor countries' short term high interest borrowings into long term low interest debt (Sec. 309).

Instructions to U.S. banks:
- Banks that have made "excessive" profits from foreign lending must reimburse the U.S. Treasury since U.S. quota increase makes their lending less risky. "Excessive" profits defined as difference between what banks charge domestic Triple A borrower and foreign debtor (Sec. 321);
- A bank's loan is considered "excessive" if total outstanding to countries facing rescheduling exceeds a bank's capital. If this is case future lending to these countries to be no more than half the growth rate of its loans to same countries in the 18 months to June 1982 (Sec. 310).

On the U.S. steel industry:
- The National Advisory Council to report within a year on impact on U.S. steel industry of steel subsidies in countries borrowing from IMF (Sec 318).

On Special Drawing Rights:
- U.S. Congress must approve any future creation of SDRs by the IMF. No approval needed currently (Sec 303).

On foreign loan evaluations:
- Loans by U.S. banks of more than $1m for foreign mining, manufacturing and processing projects to be accompanied by an economic feasibility study which assesses creditworthiness without reliance on third party or government guarantees (Sec 409).

Senator Jake Garn, chairman, Senate Banking Committee.

Men & Matters

Crispin's day

Our man in Mexico, the splendidly named Sir Crispin Charles Cervantes Tickell, is leaving after only two years in the post. Tickell is being diplomatically discreet about his next job, but the word is that he will get a deputy under secretary's desk at the Foreign Office.

Tickell has got on extraordinarily well with both the Mexican Government and the British business community. A measure of his success is that he was knighted in February when the Queen paid an official visit to Mexico. A knighthood is usually only automatic when the Queen pays a State visit.

His dinner parties will be sorely missed. The ambassador always requested his male dinner guests to wear a dark suit, while he was generally attired in a light suit. Recently he hosted a dinner for a colleague, an old friend from their days together in Paris. The colleague, unaware of this eccentricity jokingly took Tickell to task for wearing something different.

Tickell replied that he wore a light suit in order to be like the Pope.

However, the ambassador took great care to wear a dark suit when he gave a dinner last month for Mrs Thatcher's political guru Sir Alfred Sherman, who is no great lover of the Foreign Office and despises the wetness of diplomats. Tickell was on his best behaviour during Sherman's visit, although he was only there in his capacity as a scribe for the Daily Telegraph and to give a university lecture, not on behalf of the Prime Minister.

Still, the red carpet was run out and the prickly Sherman treated as if he were a minister.

Tickell's behaviour may be *explained by the fact that* before coming to Mexico he was Roy Jenkins' chef de cabinet when Jenkins was President of the EEC Commission, a politically dubious post in the eyes of Mrs Thatcher's loyalists.

Clamp down

In every exigency, it seems, there is an entrepreneur ready to turn a profit.

When the Metropolitan Police began clamping the wheels of illegally-parked cars in Central London this year, Michael Green, estate agent and one-time shopowner, scented a business opportunity.

Green got his own car clamped for the experience, spent a few weeks investigating the legal formalities involved, and then founded the Car Clamp Recovery Club.

For an annual subscription of £25 — special rates for corporate fleets — Green takes the humiliation and frustration out of finding your car immovable. One quick phone call and his drivers collect you car keys and cheque for the fine, pay the penalty, and deliver your car where you want it.

With around 500 cars a week being clamped in Central London, Green reckons business could be good — and is ready to expand when the police in other parts of the country begin clamping as well.

New Scotland Yard also seems to like the idea. "It saves them a lot of time and trouble as well," says Green.

Camel corps

Hong Kong's Gurkhas are set to sign on an unlikely recruit—a twin-humped camel from Japan. The *ill-starred animal* has been stranded in Hong Kong by the collapse of the Japanese circus tour with which it was travelling, and is currently parked outside a local sports stadium alongside two lions and a bear.

The heroes of the hour, saving this particular ship of the desert from an uncomfortable dry dock, are the First/Seventh Gurkha Regiment who, according to an army spokesman, have taken pity on the animal and want to transport it from the concrete streets of Kowloon to the grass fields of the New Territories. If all goes well, the camel will end up at Cassino Lines army camp on the road to the rural town of Sheung Shui.

The army offer is now in the hands of Hong Kong's RSPCA, which has taken temporary custody of the camel. The Gurkhas want to make sure that, if the camel seems unhappy with army life, then the RSPCA will find a more suitable home. Assuming, however, that a regime of rations and reveille doesn't give the new recruit the hump, Hong Kong's Gurkhas should have a highly distinctive new mascot.

Banker bet

"We are obviously having earnings problems, lugging $2bn of non-performing loans around, but that will come right," says David Taylor, 54, who has just been elevated to vice-chairman at Continental Illinois, and now looks a likely bet to succeed Roger Anderson as chairman and chief executive.

Ever since Chicago-based CI fell on its face over the failed Penn Square Bank, there has been speculation about changes at the top.

But while heads have rolled *lower down the organisation*, Anderson, and president John Perkins, who have run the bank for the past decade, have stuck out the criticism and say they will stay until retirement in 1986.

With an obvious eye to the eventual succession, however, Taylor now joins them on the board — together with Ed Bottum, aged 50, who has more international experience than Taylor and will take over the general banking operations.

Announcement of the appointments was quickly followed by the resignation of Gail Melick, 55-year-old head of CI's back-office, who ranked on a par with Taylor.

So the way now appears open for Taylor and Bottum to take over as chairman and president respectively when the present incumbents go.

The two men have been friends for years. "We have reorganised the bank 25 times in our tenure here," jokes Taylor —and one of his jobs now will be to take a "good hard look at the organisation and the ways we can improve our delivery systems."

Taylor admits that the group's credibility has been hurt by the Penn Square debacle but insists that it has not lost its market share and still enjoys a lot of goodwill in the market place from loyal corporate customers.

But the scars will show for some time. Its balance sheet has shrunk by 12 per cent in the past year alone.

Chop logic

Life magazine says that a developer is somebody who wants to build a cabin in the woods; an environmentalist is somebody who already has a cabin there.

Observer

THE ELECTRONICS INDUSTRY

'You've got to spend money'

By Joan Gray

EUROPE'S NEW ENTREPRENEURS

This is the first in an occasional series.

IN JUST a few years' time, part of the City's business communications will be carried in the sewers beneath the streets of London if Mr Peter Michael, deputy chairman of United Engineering Industries, has his way.

"It's the most fascinating thing," he says. "Underneath the City of London are man-entry sewers and you can cable up the whole City through them."

This slightly bizarre project is the latest venture of a man who has already made a small fortune out of a series of devices which have revolutionised television pictures all around the world. He cannot quite remember but he thinks he made "around £30m" when his two companies were bought by UEI two years ago.

Now he is hard at work again *at the head of a group of Cabletime* companies set up to get UEI into the promising — if risky—business of cable TV. Six of tha 30 or so consortia bidding for cable licences plan to use his system if they get their franchises when the Government awards them in November.

Mr Michael hit upon the idea of using sewers to carry cables as a solution to one of the biggest—and most expensive—problems in tha business: how to avoid digging up every road, kerb, verge, path and pavement in Britain to get the cables to the users.

Despite the hilarity, and scepticism that the idea of combining cables and sewers can induce, it has obvious advantages. Sewers go to 95 per cent of all homes and virtually all urban buildings; they are laid out in a pattern suitable for a cabla TV network; and they have manholes which provida regular access points and sites for cable connections and ancillary equipment.

Now 45, Mr Michael is dark-haired, dapper, and bursting with all the bounce of the successful whizz-kid. He joined UEI—a publicly quoted company—in 1981, when the group bought Microconsultants and Quantel, his two electronics companies.

With a turnover of £59.8m last year, up from £30.3m in 1982, and pretax profits of £9.4m, up from £4.2m, UEI is already a successful company—but Mr Michael has no illusions about the problems of staying ahead in a field where the international competition is fierce and unforgiving.

"The only hope for employment is new technology, where research and development can uncover new things to be done," he says. "To do that you've got to spend money on R & D, and we will spend it."

He works from an ostentatiously-upholstered, antique-furnished office suite in a half-timbered house by the Kennett and Avon canal, surrounded by all the trappings of success—including a helicopter to fly him home.

What started him on his entrepreneurial career? "I didn't have to work at any point as I could have had a very comfortable existence without ever turning by hand to the plough," he replies. *His father* was chairman of Stanley Gibbons, the stamp company. "I was interested in business. Money is a hollow thing but the successes and failures of business are fascinating to watch."

At university, to raise the money to buy a car, he designed and sold radio tuner kits. "Even though my father was wealthy he didn't believe in giving his offspring wealth and luxuries," he explained. "He wanted us to work for them ourselves."

After leaving university, he joined Smiths Industries. "Like most men I liked cars, so I went to work as an electronic factotum in an automotive company, working on everything from ignition systems to autopilots." Two years later, in 1963, he joined Plessey, where ha spotted the opening for the product that made his first fortune: a converter that translated the digital signals of computer language into the analogue signals of the real world.

Plessey decided not to exploit the idea, so he left. He started his own company, Microconsultants, backed by a £20,000 loan from the Midland Bank with his house as security.

"It turned out a success because of the timing. Every electronics display developed from the first Blue Streak rocket simulator to the EMI body scanner to Plessey's radar used our device because there was nothing else," he explains.

The Microconsultants digital to analogue converter stayed a market leader for the next 10 years—but the real breakthrough came when Mr Michael and Richard Taylor, an engineer who had joined him, hit upon the most glamorous application of the technique—for manipulating video signals.

"Millions of dollars had been poured into this problem, but had produced only crude equipment" he says, "and we hit the jackpot with our version."

Quantel, tha company he set up to exploit it, became internationally known in 1976.

In the face of competition from Japan's NEC, it won the contract to provide broadcast equipment for the Montreal Olympics. Quantel's system made it possible to mix different TV shots to show, for example, a picture of a runner in the stadium and a helicopter shot of the crowd in the same *frame. Revolutionary at the* time, the technique is commonplace now.

It was the first of a string of Quantel special effects equipment for the TV industry—equipment to compress pictures, insert small pictures into larger shots, explode pictures, fold pictures round globes or cones, put talking faces on floating pages . . . all the techniques which can maka the news look like a video game and which have made "the *Quantel" as well known in the* TV industry as "the Hoover" or "the Biro."

"There are 2,000 broadcasting stations around the world making $2bn profit between them," says Mr Michael. "So we had identified a growing profitable market which positively wanted to use our equipment and was truly international with no reservations about buying from other countries."

Mr David Moulds, chairman of UEI, was responsible for organising the merger with Mr Michael's companies two years ago. He says he wanted Mr Michael for two things: for his skill in creating successful electronics companies (Quantel and Microconsultants were earning profits of £3.5m at the time of the merger, compared to UEI's profit of £4m) and to help UEI increase its electronics interests.

The Cabletime ventures are the first new companies founded by UEI, which has so far grown by buying existing entrepreneurial businesses.

UEI has set up three companies to cover all aspects of the cable TV business: Cabletime Fibre, a joint venture with the U.S. company Times Fiber Communications, to manufacture TFC's sophisticated cable TV systems; Cabletime Systems, which will market complete installations to franchise holders; and Cabletime Installations, a joint venture with the Water Research Council, set up to exploit the possibility of putting TV cables down sewers.

The WRC is developing remote controlled robots — already used to clean, rebore and reline sewers — to instal the cables.

Though Mr Michael and the WRC engineers are confident they can demonstrate a prototype by tha end of this year, there is some concern in the rest of the cable TV industry about the problems of blockages, and about the difficulties of installing electronic equipment in such a hostile environment.

Mr Michael is well aware of these objections—and indeed, Cabletime's card last Christmas showed a maintenance engineer popping his head out of a manhole saying "Sorry Madam, BBC 1 is blocked, I'm afraid it's a job for Dyno-rod."

He maintains the sceptics are underestimating the technical ability of the WRC, which is fully committed to the project, partly because the water authorities hope it will help get their sewer renovation programme underway. He claims that the joint venture with TFC has provided one of the most sophisticated cable TV systems available.

This view is backed by observers such as Anthea Gawk Roger, an analyst with Sheppards and Chase, the stockbrokers. She emphasises the importance of the link with TFC—whose system has already been used for 20 cable TV installations in the U.S.—and points out that "providers of hardware will be the first to benefit from the cable TV *boom.*"

But Mr Michael is emphatic he is not just aiming for the domestic cable TV market, but to provide a network for business communications.

"We would be able to fill a *gap in the market for high speed* data communications which is not being properly met by either British Telecom or Mercury," the new alternative communications network owned by Cable & Wireless, BP, and Barclays Bank, which will lay communications cables in ducts alongside railway lines from London to Britain's major cities. "Mercury will be able to get as far as the railway stations, and then the logical thing for them to do would be to come to *British Telecom or to us* to expand their network further," he says.

He emphasises his approach is not to compete with Mercury but to work with the company, and further announcements about *Cabletime's negotiations* with Mercury are expected in the next few months.

Mr Michael has ridden high on technology so far and, like all high-fliers, could have a very nasty fall if his products were superseded or his technology overtaken by the competition. Hence his emphasis on heavy spending on research and development.

As Richard Taylor, now managing director of Quantel, puts it: "The whole enterprise is enormously profitable, but you need money to keep going and we get it because success breeds success. The broadcasting business is littered with one-product companies and we're determined not to fall like that"

Lombard

The law of one interest rate

By Samuel Brittan

ONE of the illuminating simplifications of international economic theory is the "law of one price." This states that prices cannot differ significantly in different parts of the world after allowing for factors such as transport costs and tariffs. The price of a specified product must be more or less the same after these allowances in Los Angeles, Brisbane, or Würzburg; otherwise it would pay people to ship goods around the world in a proces of arbitrage until the law is fulfilled.

Although the law is difficult to establish statistically, outside the organised commodity markets, because of the difficulty of allowing for consumer goodwill or non-tariff barriers, ti does point in the right direction. It explains for instance why devaluation is likely to be eroded more quickly than statistical inspection of the import cost components of domestic expenditure would suggest.

One particularly illuminating aspect of the law, which has not yet received *full recognition*, is the special case which might be called the "law of one interest rate." Attention has been drawn to it in the UK by the suggestion that part of the recent rise in consumer spending has been financed by taking out home mortgages, which have then been diverted to spending in the shops.

Whether out of political paternalism, or fear of the home buyer's vote, the British Government subsidises mortgage borrowing by exempting interest on it from tax. The result is that a basic rate tax payer has an effective interest rate cost nearer 7.8 per cent than the official 11.25 per cent.

As a result of the Prime Minister's personal intervention the upper limit for this concession was extended from £25,000 to £30,000 in the last Budget, thus releasing a whole new stream of borrowing which could be diverted to alternative uses.

Politicians may want seperate interest rates for borrowing to buy houses and to buy video recorders but the forces of the market tend to establish one effective interest rate over the whole range; and the net of tax cost to all personal borrowers tends to converge towards the home loan rate.

Unfortunately, that is by no means the end of the affair. For a large part of the apparent gain to all personal borrowers is lost by subsequent market developments. This is because a general interest rate subsidy stimulates borrowing. There is no comparable concession to savers or suppliers of funds. Unless the supply curve of loanable funds is completely flat, the effect of the increase in demand for funds is therefore to raise interest rates gross of tax and thus reduce the value of the concession.

The result is that the interest rates required to achieve the official monetary objectives (however broadly interpreted) are raised. Or to put the matter in longer-term perspective, the demand for funds to borrow has been artificially stimulated. The price of loans, i.e. the interest rate, rises, and there is nothing the Governor of the Bank of England can do about it.

Borrowing costs for industry are therefore higher than they otherwise would be; so is the real exchange rate for sterling. Investment and net exports are less; household spending is increased and the stock of domestic and overseas capital assets reduced, compared with what would happen without personal interest rate subsidies.

These effects are even more apparent in the U.S. where tax write-offs for borrowers are even more extensive and where so-called high real interest rates are largely a political myth. But these distortions, which tend to crowd out long-term international investment, are present in Britain and other countries too.

These longer-term effects, which were presumably far from Mrs Thatcher's mind when she put pressure on the Treasury last March, are a good example of her mentor, Friedrich Hayek's, distinction between the results of human action and those of human intention; or of Milton Friedman's distinction between the immediate and longer-term impact of government intervention. These wise distinctions do not lose their validity just because it is Conservative governments that are undertaking the intervention.

Letters to the Editor

Proper allowance for depreciation on buildings

From Mr D. Lewis

Sir,—The inability of companies or individuals to make proper allowance for depreciation on buildings is becoming of greater significance with the decline in the rate of inflation and the levelling out of property values. Allowance for depreciation is fully accepted for such assets as plant and machinery where it is recognised that there is a finite useful life and monies need to be set aside in order adequately to replace the asset. There is no basic distinction in reality between plant and machinery on the one hand, and buildings on the other. This is recognised in many other countries and in particular, in the United States.

For many years, the increase in property values from year to year has masked the inability to allow for depreciation. Buildings have depreciated by their very nature but the increase in residual land value has far exceeded the actual depreciation. Therefore, whether in a company balance sheet or in an individual's own reckoning, the total value of property comprising of land and buildings has risen sufficiently to cover the necessity for an allowance for depreciation notwithstanding that there has been no taxation relief. Income has been received from the asset based on the total value of the land plus buildings but the taxation on that income has not recognised that an increasing proportion is derived from the land content and a decreasing proportion from the building content.

With a major change in the perception of future property values there could be significant repercussions in the ability of property owners, whether investors or occupiers, satisfactorily to allow for the cost of replacement, whether for the building as a whole, or merely adequate repairs to the structure or to the services contained within the building. As matters stand, any expenditure which is not strictly related to repair and which is therefore in the nature of capital replacement has to be financed out of total taxed income or by the injection of further capital. With the value of property likely to remain relatively constant, the impact of such financial requirements will become far greater and could be of great difficulty when contemplating the proper maintenance of the existing stock of buildings whether commercial or residential.

Successive Governments have recognised the taxation incentive in erecting for example industrial buildings of a certain size and this has had a beneficial effect on the construction industry and therefore on the supply of those properties to occupiers. It is surely time for most careful consideration to be given to the whole question of allowability of depreciation on an annual basis so as to ensure that buildings are properly maintained with consequent continuing benefits to the construction industry, and not least those occupiers of those buildings.

D. J. Lewis,
David Lewis and Partners,
76, Gloucester Place, W1.

Scarcity of gold

From Dr G. Myddelton

Sir,—It is surprising that Mr Shaw (August 27) should think that gold's scarcity should debar it from having a "significant relationship" with paper currency when it is precisely that quality of rarity, combined with the impossibility of increasing the amount available and its universal historic desirability, that makes it the most constant standard of value the world has ever known. As long as governments can delude their citizens into accepting paper, and lending their savings in present paper money for a promise of future paper money which is unlikely to have anything like the same value, then they will not willingly submit to the honest discipline of a gold standard. Sooner or later the holders of paper currency in all its forms, present and future, are going to learn the harsh lesson which comes from the government printing press with its inexhaustible supply of "money." The present world credit squeeze (buying up present paper money with promises of huge returns of future paper money) may keep prices within bounds for the moment at the cost of ruined industry and escalating unemployment, but it cannot indefinitely delay the day of judgment. Apres ca le deluge.

(Dr) Geoffrey Myddelton.
Blue Moon,
1867 Glutières-sur-Ollon,
Vaud, Switzerland.

More difficult to swat a swarm

From the National Chairman, National Federation of Self-Employed and Small Businesses

Sir, — Anent the article (August 22) suggesting that a consultative committee of business interests should influence the level of rates I must say that this is rather "old hat."

With the proposed threat of a West Midlands County Council rate precept in the order of 40 per cent, the West Midlands Ratepayers' Federation (which represents both business and domestic ratepayers' interests) together with the National Federation of Self-Employed and Small Businesses (which represents the sole-trader and similar personally-owned businesses) sought urgent discussions with the county council. As a result of this the precept was radically reduced.

If this process can happen in the West Midlands then it can happen elsewhere and is surely better than creating a single negotiating body, albeit on a local basis.

There is a very real danger at present of the various national bodies, who represent various elements of businesses, being swept up into a single body. This may be beneficial to government—after all one wasp is easier to swat than a whole swarm—but should be discouraged in the interests of freedom. The Institute of Directors' proposals, if implemented, could be the thin end of this particular wedge if we are not careful!

(Dr) Bernard Juby,
32 St Annes Road West,
Lytham St Annes,
Lancs.

Using the right language

From Caroline Baker

Sir,—In talking to "decision makers" in several large French companies (technical directors, instrumentation department heads) I have been surprised to discover that English and American equipment—although frequently acceptable from a technical viewpoint—is often rejected at an early stage in the process of selecting a supplier.

The reason: failure to provide documentation and technical literature in French.

The problem posed to the end-user is threefold: from a practical point of view the information frequently needs to be studied by people at different levels of responsibility who do not necessarily understand English well enough to be able to read the data provided; there is often a psychological resistance (and even at a relatively high level within some of the largest French companies) to the implication that technical competence necessarily involves understanding English; and with the spirit of what might be described as "economic patriotism" growing in the current economic climate in France, the commercial approach of would-be clients *from the Anglo-Saxon countries* is almost more important than the quality of their products.

Why appoint a French agent and why employ French representatives, if the documentation they supply is not in the French language?

I should be interested to know the reason for this apparent lack of flexibility on the part of both English and American exporters.

Caroline Baker,
Management Marketing and Systems,
21 rue de la Baume,
75008, Paris.

Fourpence a therm gas levy

From the Director of Finance, British Gas Corporation.

Sir,—Although I disagree with many of the opinions expressed in the Lex column of August 30 about British Gas, I am writing solely to correct a factual error.

The gas levy is not "arrived at through negotiations" between British Gas and the Government. The levy on purchases of gas from fields not subject to petroleum revenue tax was established by Parliament in the Gas Levy Act 1981. The rate of the levy, at present 4p per therm, is also set by Parliament.

It is an additional operating cost imposed on British Gas, not a mutually agreed payment to the Treasury out of profits.

N. Blacker.
Rivermill House,
152 Grosvenor Road, SW1.

Predictably dry

From Mr R. Opie

Sir,—The senior economics consultant to Simon and Coates says (September 1) that his economic training enables him to predict a dry September. Most economists would be content to be able now to predict a dry August.

R. G. Opie.
New College,
Oxford.

FINANCIAL TIMES

Monday September 5 1983

Terry Byland on Wall Street

Renewed lustre for steel

LAST WEEK brought a significant, if somewhat selective, revival of interest in steel stocks on Wall Street. The upturn, which took some of the most favoured stock to within a dollar or two of their 12-month highs, indicated a change of view by investors, who pulled out of the steel sector at the beginning of the summer.

Buyers last week appeared to be responding to good news from the U.S. motor industry which itself provided one of the strongest features of the stock market.

Market interest was further stimulated by recent reviews of the steel industry by major brokerage houses.

Oppenheimer, the Wall Street securities house which publishes for clients a weekly steel order index, reported in the middle of August that average order rate, measured against capacity at the seven major producers, had surged back up to levels not seen since March, when the recovery in U.S. industry was first catching fire.

The Oppenheimer index has been rising steadily since the first week of July and the firm now expects to see the industry order rate at around 70 per cent of capacity by the end of this month. This rate, regarded as the level at which production becomes convincingly profitable for the major steelmakers, was last recorded in mid-February.

Buyers withdrew from the steel share sector in June when Oppenheimer and others took the view that stock prices were discounting prospects for the near term. The withdrawal of investors also reflected disappointing order trends following the labour settlement in March.

One of last week's best performers was National Steel which moved up from $25¾ to $27⅞ and now stands nearly 98 per cent above the 12-month low point – one of the best recovery rates in the sector.

National has virtually completed arrangements to sell off its Weirton plant in West Virginia to the workforce.

National's major attraction is its strong position as supplier to the Detroit carmakers. This strength, which will be the sounder for the sale of Weirton, which makes tinplate for the canning industry which faces competition from plastics, lay behind National's decision to stand out against a 7 per cent price increase by five of the other major producers for their sheet and strip steel, which is sold to the motor industry.

National produces only sheet and tinplate and is believed to be running its mills – excluding Weirton – at more than 80 per cent of capacity. It was the only major producer to manage a small operating profit in the second quarter. While it would obviously benefit from higher prices, it would probably prefer to increase its sales to the U.S. motor industry.

In any event, higher steel prices are something of a fiction at present, since major customers are able to negotiate substantial discounts and the motor industry works on long-term fixed-price contracts.

Oppenheimer continues to recommend National Steel shares even when advising clients to leave the rest of the sector alooe, and now predicts that National's 1982 loss of $24.77 a share could be reduced to $3.00 a share this year and turned into a profit of $4.00 a share in 1984.

Another strong feature last week was Inland Steel, a low-cost producer which sells about one-third of output to the transport industry. Inland disappointed Wall Street with its results for the second quarter but strengthened its position as a supplier to General Motors at GM's last auctioo for steel supplies. Higher prices were good news for Inland which was finding it hard to increase volume sales.

A further impetus for the Inland share price has been a recommendatioo from Paine Webber Mitchell Hutchins' steel dynamics unit, which argues that there will be a world steel shortage within three years as rapidly recovering demand catches the industry short of capacity.

On this basis, the Paine Webber unit sees Inland as a strong buy because it has a substantial cost advantage over its competitors which would boost earnings sharply if a world shortage pushed prices higher. Paine Webber sees ao earnings potential of $19 a share at Inland, to be measured against the loss of $5.60 a share turned in last year.

But predictions of a world steel shortage were evidently not sufficiently coovincing to bring buyers io for the rest of the steel sector. U.S. Steel, Bethlehem Steel and LTV, in that order the three largest companies, were largely left out of last week's buying spree.

The reason for their lacklustre performance is oot hard to find. U.S. Steel's present preoccupation with the Marathon divisioo puts it in a special category.

BANKRUPT U.S. AIRLINE GETS A FRESH START

Braniff cleared for take-off

BY WILLIAM HALL IN NEW YORK

"EVERYTHING has failed. It would be a miracle if Braniff flies again," concluded Mr Howard Putnam, the chairman of Braniff, when a deal to get the U.S. airline flying again fell to pieces last March.

But miracles sometimes happen, even in the depressed airline business, and following last week's U.S. Bankruptcy Court approval of Braniff reorganisation plan, there is a very good chance that a much slimmed down version of the colourful Braniff fleet will be taking to the skies again in the new year.

When Braniff went out of business on May 12 last year, it was employing 9,300 staff and operating more than 80 jets. The new Braniff will operate 30 of its old fleet of Boeing 727s which have been lying idle at Love Field, Dallas, for the past 16 months, and employ 2,000 people. Compared with its former rivals like American Airlines, which employs 35,000 staff and has a fleet of some 250 jets, Braniff will be a minnow.

Nevertheless, its rebirth is being watched with some trepidation by other airlines which are facing serious financial pressures themselves because of overcapacity on many U.S. routes and price cutting. The last thing they want is extra capacity being brought out of mothballs – especially if it is going to aim at the most profitable segment of the market, the business traveler.

The new Braniff starts with some advantages over its rivals. Having been through the bankruptcy courts, it has been forced to shed surplus staff and its costs have been reduced substantially. The unions have agreed to accept lower wage rates and more flexible work practices and it is thought this alone could give Braniff a cost advantage of roughly a third over the competition.

That said, no one is playing down the magnitude of the task facing Braniff. The disclosure statement sent to the 80,000 creditors pulls no punches in outlining the risks involved in the new venture. "There has never been an air carrier that started an airline operation with as many as 30 aircraft, and there has never been an air carrier that has resumed an airline operation with as many as 30 aircraft following a reorganisation under the Bankruptcy Code."

The highly competitive nature of the business, the prevailing low levels of profitability, limited access to capital, potential difficulties in acquiring the necessary flight "slots" into airports and the impact of government plans to reduce flights into certain congested airports, are just some of the "substantial risks" the new Braniff faces.

Braniff's most immediate problem is on its own door step at Dallas-Fort Worth Airport. Before it went out of business it ranked on a par with American Airlines in the number of passengers it put through the airport. Both airlines carried just over a third each of the airport's traffic and were able to demand equal treatment. But in the interim American Airlines' share has risen to nearly two third, followed by Delta with about a fifth.

Braniff will have to start at the bottom again and battle for market share along with several other small airlines which do not have the national marketing muscle and advantages of major trunk carriers like American, United or Delta.

In addition, Braniff's top management team needs strengthening, following the decision of Mr Putnam and Mr Phil Guthrie, the two top executives, to quit last June. Finally, Braniff also has to repair the damage done to its reputation in the market by its abrupt decision to stop flying last year, which left many customers stranded or holding worthless tickets.

Despite these obstacles, Braniff's creditors, who together are owed more than $1bn, believe that attempting to get the airline airborne again is a better bet than liquidating the assets.

In doing so they are relying heavily on one man, 60 year-old Mr Jay Pritzker, whose family-owned Hyatt Corporation came to Braniff's rescue last March. Before Mr Pritzker came on the scene Braniff had been talking to virtually anyone who cared to listen about its plans to fly again. Pan American, American Airlines and Pacific Southwest Airlines had all toyed with the idea of getting involved but for various reasons dropped out.

The Pritzker family is one of the wealthiest and most secretive in the U.S. It is best known for its ownership of the Hyatt Hotel group which runs 72 hotels in the U.S. and more abroad. But the family also owns the Marmon group, based in Chicago, which employs 17,000 people in various manufacturing activities with combined sales of several billion dollars.

Mr Jay Pritzker, chairman of the Hyatt Corporation, has a reputatioo as a shrewd investor in recovery situations and also a tough bargainer. Several times during the spring it looked as if Hyatt would walk away from Braniff because it could not get acceptable terms for its support.

In the event industry analysts believe that Mr Pritzker, whose airline experience is restricted to having beeo a member of the board of Continental Airlines, has struck a tough deal. Hyatt will own 80 per cent of Braniff in return for investing around $20m cash and securing loan commitments of $50m so that Braniff will have at least $70m cash on hand when it resumes flying.

Braniff's secured creditors will own the majority of the company's assets, including all the aircraft. These will be leased to the oew airline at a rate of $90,000 per plane per mooth for the first two years rising to $110,000 after five years.

Latin American and Caribbean nations need additional $20bn

BY KIM FUAD IN CARACAS

LATIN AMERICA and the Caribbean need $20bn a year over the next five years, plus refinancing of their $330bn foreign debt, to overcome their present crisis, the Organisation of American States (OAS) said yesterday on the eve of the regioo's first major conference to discuss foreign debt.

The OAS-sponsored meeting comes at the same time as regional debtors, such as Brazil and Venezuela, have balked at conditions demanded by creditor banks to re-finance debts. The International Monetary Fund (IMF) is the target of their criticism.

Sr Carlos Langoni, Brazil's central bank governor, resigned last week rather than accept IMF conditions to renegotiate his country's $90bn foreign debt, and Venezuela has rejected an IMF programme as a pre-requisite for refinancing its estimated $33bo debt.

Sr Luis Herrera Campins, Venezuela's president, however, was quoted yesterday as saying the five-day conference to bring the 31 OAS member states together will not create a debtors cartel nor seek private negotiation. This move was feared by private bankers, who will attend as observers along with the IMF and other international lending agencies.

Venezuela is unhappy, however, over what its finance ministry officials term unfair treatment for Latin America by international banks. "We are paying higher interest rates than other parts of the developing world, such as Asia and Africa," ooe senior official said.

While Venezuela and other Latin American countries are expected to centre their criticism on specifics, observers do not discount the possibility that a more radical country, such as Nicaragua, will attempt to use the conference as a forum for baiting the U.S., which is the region's main lender.

An OAS document issued here yesterday said that if no meaningful refinancing plans are made, the region will need $40bn between 1983-85 just to achieve minimal growth and avert a decline in per capita income.

The working paper forecasted a decline in world inflation to an annual rate of 5 per cent after 1985, and a gradual decline in nominal interest rates in the 1983-87 period to 8.2 per cent.

"Based on these figures, and assuming the region achieves some alleviation from the pressing problems of its short-term debt, we estimate that after a 3 per cent decline in the region's gross national product in 1983, the area's countries can recover the dynamic growth shown in the decade of the 1970s," it said.

While rejecting the creation of a debt cartel or joint re-negotiation, the OAS paper said the cost of the debt crisis must be shared with private commercial banks which were responsible in part for over ambitious lending.

The paper called for banks to lower interest rates for the regioo to a reference level that could be the official rate on government boods in Germany, the U.S. or Switzerland.

Congress and the IMF, Page 14

U.S. rules out major trade sanctions

Continued from Page 1

authorisation to follow what were likely to be standing orders to shoot down intruding aircraft.

U.S. officials said that they could still not be absolutely certain that the Soviet fighter knew it was firing at a commercial airliner, although it certainly did so immediately afterwards.

Mr Shultz also contests tha Soviet allegatioo that the fighter fired warning shots. The pilot of a Korean airliner that strayed into Soviet airspace in 1976 said yesterday that no warning shots were fired before a Soviet fighter fired directly at his aircraft. Two passengers were killed.

There is as yet no clear answer as to why the Korean airliner was so far off course – it is said in Washington to have been as much as 500km off its flight path. Some intelligence officials said that the pilot might simply have been taking a short cut, as the aircraft appeared to have been flying the most direct course from Anchorage, Alaska, to Seoul, its destination.

The majority of intelligence analysts, however, believe that the pilot was unaware that he was in Soviet airspace, possibly because of a faulty computer programme. If the programme was faulty, the aircraft's navigational computer could have shown the pilot that he was on the correct course, they said.

The U.S. Administration's "measured" response to the incident is certain to be attacked by rightwingers in Washington, who are demanding a much tougher response from Mr Reagan.

New restrictions on Soviet commercial aviation will not have much effect in the U.S., where Aeroflot has been banned from landing on regular flights since 1982, in retaliatioo for the military crackdown in Poland. No U.S. airliners fly directly to Moscow.

The Administration is, however, apparently hoping that a wider international boycott of Soviet commercial aviation can be mobilised, perhaps for a period of 60 to 90 days.

AP reports from Moscow – The Soviet anti-aircraft defence chief said yesterday that a fighter pilot waved his aircraft's wings, blinked the lights and tried to make radio contact with the missing South Korean plane before he fired warning shots oear the aircraft.

Col Geo Semyoo Romanov, who gave the most detailed Soviet account yet of the encounter over the Soviet Far East, said the pilot thought the plane looked like a U.S. intelligence aircraft.

Romanov said the pilot was following rules that allow interceptors to fire "issued weapons" parallel to the course of an intruder.

His account, published by the official Tass news agency, still did not address itself to U.S. charges that the fighter pilot fired a heat-seeking missile.

Anthony Robinson writes from London: Britain believes that the ball is now firmly in the Soviet court, and that one of the factors which the Soviet Unioo is being pressed to reveal is the exact nature of the chain of command and who took the ultimate decision

Fast breeder plan expected

Continued from Page 1

bringing the complex technology oearer to a commercially competitive design.

Britain would be able to draw its share of the electricity from Superphénix 2 through the new 2,000 MW cross-Channel link between the UK and France.

There are no firm plans at present to build a big fast reactor in Britain. But Sir Walter Marshall, chairman of the Central Electricity Geoerating Board, has said recently that he sees great merit in the utilities making cross-investment in each other's fast reactor projects.

In 1980, France proposed that Britain should join the Superphénix club, but suggested it should pay France an "entrance fee" of about $75m to compensate for the engineering design and development effort it had already invested in Superphénix.

Such a payment was unacceptable to Britain. It believed it had its own expertise to exchange in any ioternational collaboration. Its case has since been accepted by the French.

At the British Government's request late last year, Sir Peter Hirsch began to explore the possibilities of three broad proposals for collaboration – with the U.S., with Japan, and with Europe.

The idea of an Anglo-U.S. fast breeder reactor collaboration was rejected because of continuing political uncertanties over the future of the U.S. programme, notably the future of the Clinch River demonstration fast reactor project.

But Anglo-U.S. collaboration continnes at a research level, with each conducting experiments in the other's large prototype fast breeder reactors at Dounreay and Hanford.

The Japanese, just starting to build a prototype fast reactor, were found by Sir Peter to be more interested in bilateral collaborations in very specific areas of interest and oot in the kind of broad-based collaboration favoured by Britain

The French, however, also favoured a broad-based collaboration. The French are indisputably ahead of the world in the engineering development of large fast breeder reactor systems. But this has also bred in the French a growing sense of unease at their technological isolation in a very advanced technoloy.

With the forging of the new partnership, discussions can begin for the pooling of European facilities. For example, Dounreay may reprocess fuel from Superphénix and thus postpone the need to build expensive new reprocessing facilities for plutonium fuels in France.

Dounreay is also the only breeder reactor establishment in the world to have worked with the International Atomic Energy Agency on developing safeguard systems for future plutonium-fuelled plants.

The National Nuclear Corporatioo has developed ideas for a more compact design of fast breeder reactor which may help to reduce the cost of Superphénix 2.

The founding meeting of Argo, the International Breeder Reactor Study Group, a new OECD body, was held in Paris last week. Argo's aim is "to investigate practical methods for the deployment of the fast reactor line as a contribution to ensure the energy supply of Europe."

Chouf battles follow Israeli troop pullback

Continued from Page 1

but in Washington President Ronald Reagan said that the partial withdrawal did not upset U.S. policy in the Middle East.

Despite the Lebanese Government's success in driving moslem militiameo out of much of West Beirut last week, it is unlikely to be able to muster sufficient military force to fill the vacuum left by the Israeli withdrawal.

Many of the 32,000-strong army's best combat troops are tied down in holding the capital

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	T	22	72	Malaga	S	27	81	Salzburg	F	16	61
Akrotiri	S	28	82	Faro	S	29	84	Malta	S	28	82	Seoul	C	26	79
Algiers	S	28	82	Florence	F	27	81	Manila	C	32	90	Singapore	C	31	88
Amsterdam	D	14	57	Frankfurt	F	19	66	Miami	S	31	88	Stockholm	F	21	70
Athens	S	28	82	Funchal	S	23	73	Milan	S	24	75	Strasbourg	F	20	68
Bahrain	S	36	97	Geneva	S	19	66	Moscow	S	24	75	Sydney	C	20	68
Bangkok	S	32	90	Gibraltar	S	22	72	Munich	C	15	59	Taipei	R	33	91
Barcelona	F	23	73	Guernsey	R	16	61	Nairobi	—	—	—	Tangier	S	31	88
Beirut	S	31	88	Helsinki	S	22	72	Naples	S	27	81	Tehran	—	—	—
Belgrade	S	15	59	H. Kong	S	32	90	New Delhi	C	29	84	Tel Aviv	S	31	88
Berlin	C	18	64	Innsbruck	F	15	59	New York	S	31	88	Tenerife	S	25	77
Biarritz	S	22	72	Inverness	S	13	55	Nice	S	28	82	Tokyo	C	33	91
Blackpool	C	18	64	Istanbul	S	27	81	Oporto	S	24	75	Toronto	C	29	84
Bordeaux	S	22	72	Jersey	C	17	63	Oslo	C	17	63	Tunis	F	29	84
Brussels	F	19	66	Jo'burg	S	22	72	Paris	R	17	63	Valencia	F	29	84
Budapest	C	18	64	Las Palmas	S	22	72	Prague	F	16	61	Venice	F	22	72
B. Aires	F	15	61	Lima	—	—	—	Reykjavik	F	8	46	Vienna	F	19	66
Cairo	S	36	97	Lisbon	S	28	82	Rio de J'o	C	20	68	Warsaw	F	19	66
Cape Town	—	—	—	Locarno	—	—	—	Rome	S	26	79	Zurich	F	17	63
Caracas	C	29	84	London	C	18	64								
Casablanca	S	24	75	Los Angeles	S	34	94								
Copenhagen	F	18	64	Luxembourg	C	15	59								
Corfu	F	27	81	Madrid	S	26	79								
Dublin	C	18	64	Majorca	F	27	81								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Sideways shuffle on Wall Street

The New York markets have cast a coldly calculating eye on the South Korean airliner crisis, which they last week judged to hold no obvious economic dangers – quite the reverse, with the U.S. airline stocks outperforming all other groups oo Thursday on the basis of who knows what hard-nosed considerations. The 1960 U-2 incideot – that other ootorious occasion when the Soviet Unioo shot down an intruder into its airspace, albeit of a very different kind – dropped into history leaving scarcely a flicker oo the New York Stock Exchange indices.

The Dow Jooes Industrial Average oo Thursday did slip eight points io half an bour after the news; but that is a measure of the changed world oo Wall Street, where trading volume during the U-2 week only once exceeded 3m shares and now reaches 80m on an average sort of day. More to the point, last week's market showed no real sign of anxiety beyond a flurry of support for the defence stocks oo Friday, just as in May 1960.

Signals

The crisis in the Far East might indeed have had a calming effect, insofar as it belped distract attention from President Reagan's despatch of another sizeable body of Marines in the direction of Lebanon. But distracting the markets' attentions from what is happening in Beirut is one thing, averting their eyes from the mooetary growth figures quite another. By Friday afternooo it was back to business as usual and another breathless hush for the latest Federal Reserve pronouncement.

Nothing oo offer from the macro-economic statisticians can hold a candle to the money supply data. This was even true for the mooth of July, when the broader signals had something interesting to say about the U.S. economy's growth rate, which is evidently slowing appreciably from tha second quarter's revised 9.2 per cent annualised rate.

The impact of the monetary data only grows, it seems, as the implications of Federal Reserve policy in the marketplace become more ambivalent. Tha yield on the government long bond spent almost all of August giogerly climbing down from about 12.2 per cent to about 11.5 per cent. A move by the Fed to drain money from the system late in the mooth then sharply altered perceptions of its intentions and the long bood has already scuttled back to 12 per ceot despite two Fed ioterventions to ease the supply of funds in the meantime.

The bond markets at least have beeo obsessed with monetary data for much of the last decade, a contagion which bas oow spread to the equity and exchange markets. While some of the knee-jerk reactions can appear perverse on a Friday-to-Friday basis, drawing the occasional scathing commentary, the market has stubbornly clung to its gut feeling that these statistics indicate something at least as important for the long run as details about the real economy. The economy is booming. But inflatioo and interest rates remain the key for one simple reason and it is called the Federal budget deficit.

The enormity of the problem posed by having to fund government deficits in excess of $200bo this year and next has not diminished in recent months. In one particular respect it has grown nastier still. All or most of the deficit's expansion since the Vietnam war has been funded in effect by increased foreign holdings of Federal securities, principally as a consequence of the Opec surpluses. In 1977, for example, foreign buyers accounted for $31bn of a total funding programme of $80bn. Their cootribution has fallen fast in recent years. Now estimated net purchases of just $4bn-$5bn in the first half of 1983 have given way to net sales.

This will immeasurably increase the pressure on the domestic U.S. debt market and brings the Fed ever closer to a choice between two evils: higher interest rates to help sell government paper to non-bank investors, or a monetisation of part of the debt through sales to the banks or the Fed itself.

Forecasts circulating in the City of London of a dramatic collapse in the dollar, as argued for example by brokers L. Messel among others, have stressed the likelihood, inevitability even, of the monetisation route. With inflation outpacing interest rates as a result, runs this argument, the dollar will simply have to buckle under a massive U.S. trade deficit. Opponeots of this view, while allowing for some monetisation, think higher rates will share rather more of the burden – hence o strong dollar – notwithstanding the political embarrassment and the catch-22 item presented by higher Federal debt servicing costs.

Aside from the dollar's future, however, argument over the relative dangers of monetisation and direct pressure on interest rates might seem a little academic. Given the way that the bond market will almost certainly react to any inflationary increase in U.S. money supply, higher rates look like a certain outcome either way. Unless, that is, something miraculous happens in the economy to help dish the deficit – just as President Reagan has always said would happen.

With the reverse yield gap at full stretch, the gloom in the bond market has been a key restraint on the performance of equities, despite the sustained strength of the recovery. But no-one has forgotten the trauma experienced by those fund managers who were slow off the mark when this bull market first roared away. So few have been prepared to move too far onto the sidelines each time the market has moved south through a meandering summer.

The first major corrections suffered by five of the seven bull markets since 1945, saw falls of less than 10 per cent, typically 5-7 per cent. That happens to be a measure of the Dow Jones Industrial Average's move from 1260 to 1170. Of course the possibility must remain that this has been no correctioo but something far more sinister. In the meantime, stocks in the energy, steel and chemical groups have been pushing nicely ahead to keep the brokers talking about sectoral rotation, capital goods growth phases and the need for investors to be highly selective. The bull market has yet to bless one or two neglected corners, must notably utilities and drugs, and most expectations remain optimistic for a future advance – though not necessarily one that will start at 9am on the morning after Labour Day.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday September 5 1983

EUROBONDS

Investors wait for interest rate sign

BY OUR EUROMARKETS CORRESPONDENT

WITH the dollar sector of the Eurobond market still in the doldrums last week as investors await a turn in interest rate and exchange market trends, it was left to lesser currencies to steal the limelight.

This explains how Wednesday's issue of C$50m by Hydro-Quebec managed to hog most of the attention. The bond incorporates two current fashions in the market: it is denominated in a high coupon non-dollar currency and – a novel feature for a Euro-Canadian dollar issue – it is accompanied by an issue of 50,000 warrants to buy into the same series of bonds.

Typically also for a market that is generally confused about even the short-term outlook, it was the warrants that attracted more interest from dealers than the bonds.

Priced at C$10 they allow holders to buy the 12¾ per cent. 10 year bonds at any time over the next year. Investors can thus lock into this high coupon without putting up very much cash in today's highly volatile exchange market. The warrants immediately about to C$19 when they were launched and by Friday had risen still further to C$22. By contrast, according to lead manager Merrill Lynch, the bonds themselves were trading at a deepish discount of 2¾.

Throughout most sectors of the international bond markets investors are unwilling to part with cash, preferring to park their money in short-term deposits until they see whether or not interest rates are poised to fall. If and when they do the dollar, which again hit DM 2.70 last week, could start to fall, rejuvenating bond markets in the so-called hard currencies such as D-Marks and Swiss francs.

But for the time being financial markets are discounting a bulge in U.S. money supply during September which hardly augurs well for a drop in rates.

Coupled with the approaching Labour Day holiday in the U.S. this made for a particularly jaded feeling in the U.S. dollar Eurobond market last week. Secondary market turnover was minimal and over the week as a whole Eurobond prices shed nearly a full point.

The lone new issue – for Long Term Credit Bank of Japan – moved slowly despite its coupon of 12½ per cent. It finished the week at a discount of two points while even the $200m 12 per cent World Bank issue of 10 days ago traded at a similar discount. At the time of the World Bank issue's launch dealers had described the coupon as generous.

West German banks are scheduled to meet today to set a new calendar of issues for September. With the German bond market particularly badly affected by the weakness of the currency and persistent high U.S. interest rates – prices fell again last week by about ¼ point – dealers are hoping for a relatively light calendar. Just expired is a four-week period which has seen the issue of about DM 900m worth of new bonds.

Bankers in Frankfurt feel the market could absorb a similar amount in September, but not much more. They are also hoping for a repeat of the August policy which saw three issues added to the calendar on an ad hoc basis as the month progressed, giving considerable extra flexibility.

The last issue in the August calendar, for South Africa's Department of Posts and Telecommunications, met with a rather positive initial response in this coupon conscious market.

Its 9 per cent indicated yield is more than a point above the recent 7¾ per cent DM 300m World Bank issue. The South African bonds traded at a narrow, one point discount on Friday while the World Bank issue was trading at a discount of around 1¾.

In Switzerland, where some bankers fear another surfeit of Japanese issues, seasoned issues again fell by around ¼ point on the week.

LANGONI RESIGNATION THREATENS RESCHEDULING

New fears on Brazil's debts

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE 13-strong advisory committee of banks spearheading debt renegotiation talks with Brazil found itself overtaken by events as it sat down for yet another meeting in New York last Friday. The surprise resignation of Sr Carlos Langoni as governor of the Central Bank risked throwing a spanner into a rescheduling machine that was already in danger of stalling.

Quite how radically his departure will affect Brazil's crucial talks with the International Monetary Fund remains to be seen. One positive sign that the government of President Joao Figueiredo is anxious to preserve continuity came with the immediate appointment of Sr Affonso Pastore, a close associate of Planning Minister Antonio Delfim Netto, to succeed him.

On Friday night Mr William Rhodes, the senior Citibank official who has been co-ordinating talks between Brazil and the banks, said there should be no delay in reaching agreemeot as a result of Sr Langoni's resignation. He expected Brazil to finalise its programme with the IMF shortly.

But whether this means that Prof Delfim Netto will be able to assert his authority enough to push through the stringent austerity measures sought by the IMF is another matter. Sr Langoni's assertions that the IMF programme is unrealistic – inflation, expected to be 160 per cent this year, is to be brought down to 55 per cent in 1984 – lend credibility to growing opposition to the IMF inside Brazil itself.

While these political doubts remain, creditor banks cannot implement the rescue package now being hammered out by the advisory committee, whose meetings are attended by observers from central banks in leading industrial countries. But the banks equally have little option but to press ahead with planning the package on the assumption that the IMF programme will be accepted in the end.

Drawing up a new Brazilian rescue package has turned into a very complex exercise for two main reasons. First, banks have found it enormously difficult to obtain accurate figures on Brazil's economic outlook. Second, this time round, banks are insisting that governments chip in with long term loans as well.

*Leading commercial bank credi*tors of Brazil estimate that the maximum amount whicb could be raised from the banking community is $6bn between now and the end of 1984. This leaves a substantial but as yet undefined amount to come from governments and other official sources.

Moreover, leading banks, which extended more than $2bn in bridging finance to Brazil late last year, have flatly refused to repeat the exercise and the Bank for International Settlements, to which Brazil now has arrears of $800m, will not respond warmly to any request for more.

In the *medium-term area* as well, the package looks like proving difficult for governments. The experience of Yugoslavia has shown that few governments are empowered to make medium-term cash loans to other sovereign governments. Such loans are traditionally tied to exports, but Brazil, like Yugoslavia, is cutting down its purchases from the industrialised world and simply needs cash to pay interest on its debt.

There is little doubt that this problem will loom large at the Bank for International Settlements monthly meeting next Monday and at the International Monetary Fund annual meeting in Washington later this month. By then, however, it should have become clear whether or not Brazil is prepared to accept the IMF's medicine.

That international banks can take a hard line with countries which do not accept IMF strictures was demonstrated last week in the case of Venezuela, which has been told by commercial bank creditors that completion of an $18.4bn rescheduling scheme must wait until a Fund agreement is reached. This means that the banks have effectively turned down a plea from Finance Minister Arturo Sosa to reach agreement by December, leaving the IMF to wait until after the country's forthcoming elections.

But the banks are not formally breaking off talks with Venezuela and expect to discuss rescheduling in parallel with the country's IMF talks.

Nigeria is currently seeking to expand its recent refinancing of arrears on short term trade debt to include an additional $500m in letters of credit. This follows an earlier operation to refinance $1.4bn over three years at a margin of 1½ per cent over the London inter-bank offered rate (Libor) or 1¼ per cent over U.S. prime rates.

MEXICAN PAPER IN DEMAND

Latin America draws the adventurous

BY ALAN FRIEDMAN

FAITH – and lots of it – is what is required of investors who are intrigued by the notion of a 35 per cent yield on Eurobonds which mature next year. This is because the bonds in question are Brazilian 9¼ per cent 1984 maturities, on offer last week at 93¼.

The same goes for Venezuelan 8 per cent bonds maturing in 1984: they are on offer at 93 to yield 26.52 per cent. Considering the perilous state of these two Latin American debtors' finances, it is hardly surprising that the most populor Latin American Eurobonds on offer are for a country which was on the brink of default 12 months ago, but now looks much healthier – Mexico.

This is not to say that Euromarket investors are rushing to buy Mexican bonds – *far from it*. Nonetheless, dealers last week reported a small but steady degree of investor interest, particularly from the Continent, in Mexican paper.

The reasons behind such interest are twofold: Mexico's tarnished image has been significantly rehabilitated over the past few months and investors are now prepared to come back for a punt on Mexicno bonds. In addition, Continental investors are attracted by the super yields available on benchmark Mexican bonds, in many cases providing them with a 5 to 8 per cent yield pick-up on standard Triple A Eurobonds now providing a return of around 12 per cent.

There appears to be enough Continental interest in this kind of paper to keep the books open and running at a few bond houses in London, a far cry from the virtual freeze in trading of last year. "The Mexicans seem to have gone through their bad patch and people are more willing to take the risk," commented one trader.

The same cannot be said for Brazilian Eurobonds. Investor nervousness about Brazil has led to an epidemic of early redemptions of the country's paper, in some cases four years ahead of final maturity. Last week saw investors demand repayment of about DM 100m or two thirds of a DM 150m 7 per cent 1977/87 Eurobond for Electrobras, the electric utility. The bond was to have been redeemed in five annual instalments from this year on.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
LTCB ‡	85	1990	7	12½	100	LTCB, Salomon Bros., Morgan Guaranty	12.500
CANADIAN DOLLARS							
Hydro-Quebec ¶‡	50	1993	10	12¾	100	Merrill Lynch	12.750
D-MARKS							
Asics Corpn. §	50	1991	8	5¼	100	Commerzbank	*
Indonesia **‡	100	1988	5	–	–	Commerzbank	–
Postmaster Gen. S. A.	100	1990	7	9	100	BHF-Bank	*
SWISS FRANCS							
City of Vienna ‡	100	1993	–	5¾	100	Kredietbank (Suisse), Nordfinanz-Bk. Zurich	5.750
Xerox Finance ‡	100	1993	–	5½	100	CS	5.500
SWISS FRANCS							
Canon Sales Co. Inc **§‡	100	1988	–	3⅜	100	Banca della Svizzera Italiana	3.375
Japan Devt. Bank ‡	100	1993	–	5⅞	100	UBS	5.875
Best Denki **§	50	1988	–	3⅝	100	CS	*
Nippon Seiko **§	80	1988	–	3¼	100	UBS	*
Sumitomo Heavy Inds.	100	1991	–	*	*	SBC	6.000
Sakai Heavy Inds. **§	35	1988	–	*	*	Bank Julius Baer	3.625
AUSTRALIAN DOLLARS							
Australian Industry Devt. Corpn. ‡	30	1988	5	14	100	Orion Royal Bank	14.000
LUX. FRANCS							
Bay. Landesbank **‡	250	1988	4.4	10½	100	Bque. Gen. du Lux	10.500
ECUs							
EEC	50	1993	6½	11¼	*	ABN, Kredietbank Intln.	*
YEN							
World Bank ‡	20bn	1995	10.32	7.9	99.75	Nikko Secs.	8.090

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ∅ Minimum. § Convertible. ¶ With warrants. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Further fall in M1 spurs strong late rally

WALL STREET should return from the extended Labour Day holiday weekend tomorrow with at least one thing to smile about.

For once again the pundits had got M1 wrong. After they had been sulking all week because of a smaller then expected decline in the basic money measure in the previous week, the Fed announced on Friday that in the latest reporting week M1 fell by $1.4bn.

The market, ready for the worst, had been expecting an increase of at least $1bn and the news therefore spurred a strong late trading rally—albeit with relatively few market participants ahead of the holiday weekend.

As a result the Government market made up much, but not all, of its earlier losses. The Treasury long bond jumped 1¼ points on the M1 news to close at 101¼ to yield 11.79 per cent and short-term rates dropped by between 12 and 17 basis points.

U.S. INTEREST RATES (%)

	Week to Sept 2	Week to Aug 26
Fed funds wkly aver	9.44	9.41
Three-month CDs	9.24	9.27
Three-month T-bills	9.70	9.50
30-year Treas bond	11.91	11.67
AAA Utility	12.88	12.90
AA Industrial	12.88	12.50

Source: Salomon Bros (estimates). In the week ended August 24 M1 fell by $1.4bn to $515.3bn.

The late turnaround was made even more dramatic by the malaise affecting the markets ahead of the Fed's announcement. Although most Wall Street economists believe the markets were over-reacting to concerns about short-term rates and Fed policy. The week saw little retail activity and bond prices continued to drift lower until late Friday.

Some of the market's concerns may have been eased by the M1 figure last Friday. While Wall Street is still in a state of confusion over the weight it should give the weekly money measure, the markets had little doubt about the immediate psychological significance of the latest figure.

The decline in M1, coupled with a $200m downward revision in the previous week's figures, sent the basic money measure back within the Fed's latest target ranges for the first time since late June.

As of Friday M1 was $1.9bn below the Fed's interim target of 7 per cent growth in the third quarter and $2.1bn below the 9 per cent upper limit of the Fed's revised annual target range.

Although an expected surge in M1 in September may push it back beyond the targets, M2 and M3, the broader money measures, are already comfortably within their target ranges.

The general, but by no means unanimous, feeling therefore is that the Fed now has slightly more room for manoeuvre. A further firming in the near-term has grown significantly less likely and the Fed's most likely short-term course will be to hold steady.

The August M2 and M3 figures due out this Friday should prove particularly interesting.

There are, however, still a number of major market negatives in the offing. Although the hectic second-quarter pace of the economic recovery seems to have abated there is still widespread concern about the budget deficit.

In the near-term this is focused upon the Treasury auctions. Last week the Treasury sold $7.75bn of one-year notes at an average yield of 9.64 per cent. On Wednesday the Treasury will announce details of its two-year note auction expected to total about $8.25bn for sale on September 14, to be followed by a three-part offering of four-, seven- and 20-year maturities totalling around $15bn.

Offsetting these concerns a credit crunch between the private and public sectors still looks a distant possibility. Corporate long-term new issues are now running a mere 6 per cent ahead of the same period last year at $30.63bn to date, according to First Boston figures, which include a mere $225m of new issues last week.

Paul Taylor

Advance in midterm sales and earnings for Aga

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

AGA of Sweden, the world's fifth largest industrial gas group, increased its turnover by 8 per cent in the first six months of the year to SKr 2.55bn (US$ 320.8m), compared with SKr 2.36bn in the corresponding period last year. Group profits before taxes, year-end provisions, and non-recurring items, rose by 25 per cent to SKr 278m.

Mr Marcus Storch, chief executive, said the profits overall in 1983 were likely to increase by 15 per cent from the SKr 481m achieved last year.

The group is still investing heavily in new plant around the world, and has decided to build two new atmospheric gas plants, for the production of oxygen, nitrogen and argon, in Finland and the U.S. Large tonnage contracts have been signed with Outokumpu in Herjsvalta in Finland, and with the Timken company in Canton, Ohio, in the U.S.

Capital investment totalled SKr 323m in the first half of the year, of which SKr 291m was spent on the gas operations.

Capital spending plans call for expenditure of SKr 500m to SKr 600m a year from 1983 to 1985. Two new atmospheric gas plants have been under construction in Mexico and in the U.S.

The group is the dominant industrial gas company in the Nordic region, but is not currently operating in Norway. It has recently bought 7 per cent of Norgas in Norway, however, a holding that is expected to increase in the future.

With strong liquidity Aga has also recently acquired 25 per cent of the voting rights in Tresor, an investment group formed earlier this year by the leading Swedish financier, Mr Anders Wall, deputy chairman of Volvo.

Aga's gas operations accounted for SKr 1.7bn of group turnover in the first six months with Frigoscandia, its freezing and cold storage subsidiary accounting for SKr 545m.

Record issue by Bangkok Bank

BY CHRIS SHERWELL IN SINGAPORE

THE BANGKOK BANK, South-East Asia's largest bank, has launched a $50m four-year floating rate certificate of deposit (FRCD), thought to be the largest such issue in the Asian dollar market.

Lead managers are Singapore Nomura Merchant Banking, Commerce Bank (South East Asia), First Chicago Merchant Bank, Sanwa International Finance of Hong Kong, and Tokai Asia, also of Hong Kong.

The FRCD, to be issued at par on September 15, will carry an interest rate of three-sixteenths per cent above the six-month Singapore inter-bank offered rate (Sibor) for the first three years, and one-quarter per cent above Sibor for the fourth year.

The Bangkok Bank's assets at the end of June 1983 were 192.6bn baht (U.S.$8.4bn) and deposits amounted to 142.2bn baht.

First-half growth at Rabobank

By Walter Ellis in Amsterdam

DESPITE a further steep increase in provisions for debt (up 33 per cent to Fl 315m), net profits of Rabobank, the giant Dutch co-operative bank, rose by 24 per cent during the first six months of this year to Fl 301m ($99.5m).

This is the most marked improvement in performance by any Dutch bank this year and confirms Rabo as the sector's most consistent earner during the present economic recession. Nearly all banks in the Netherlands have, however, recorded good results this year so far, with profits at ABN and AMRO, Rabo's two biggest rivals, each moving ahead by 22 per cent.

Gross profits at Rabo for the first half came to Fl 756m, an improvement of 25 per cent on last year. Interest income rose from just under Fl 1.6bn to Fl 1.7bn while commission and other charges went up from Fl 207m to Fl 244m.

Rabo says there was a general pick-up in the demand for credit but investment by business and industry remained at a low level, with only the agricultural sector showing real improvement.

Jacobs-Suchard to lift profits by 20%

BY JOHN WICKS IN ZURICH

GROUP profits of Jacobs-Suchard, the Swiss coffee and chocolate concern, are expected to increase by some 20 per cent in 1983. Last year, when the group was formed by the amalgamation of the Jacobs coffee company and the chocolate manufacturer Interfood, profits amounted to SwFr 91.5m (U.S.$41.7m) on consolidated turnover of SwFr 4.06bn.

In the first half of this year group earnings were up by as much as 30 per cent and sales by 9 per cent. The profits rise in the second half is expected to be smaller, due primarily to the effect of the stronger dollar on the cost of raw materials.

Mr Klaus J. Jacobs, the group's managing director, said the company intends to expand its operations in North America through existing subsidiaries and possibly by acquisitions. In the Far East, it wants to increase activities in the licensing sector, and perhaps set up a company in due course.

In the UK and Spain, where the group is currently active only in chocolates, there are plans to start coffee sales. In Spain this might lead in the long term to the takeover of a coffee company.

Certain products are to be withdrawn from the sales programme and production capacity reduced. This will particularly affect the chocolate sector. At present some 60 per cent of group turnover is accounted for by coffee and the remaining 40 per cent by chocolate. Major national markets are currently Germany, France and Switzerland.

● ELEKTROWATT, the Swiss energy and industrial holding company, is to recommend a higher dividend and a SwFr 40m capital increase at its October 5 AGM.

Following an improvement in net profits by some 30 per cent to SwFr 46.9m for the year ended June 30 the board proposes distribution of a dividend of SwFr 70 per share compared with SwFr 60 previously. Payment will be on increased entitled capital of SwFr 319.8m.

Senior officers promoted at Monsanto

● MONSANTO CO. has elected president Mr Richard J. Mahoney chief executive officer and Dr Louis Fernandez chairman from September 1. Chairman Mr John W. Hanley, Monsanto's chief executive officer for the past 11 years, intends to retire on March 1 1984. During the six-month transition period he will serve as chairman of the executive committee of the board. Mr Mahoney has served as president since 1980 and chief operation officer since 1981. Dr Fernandez has served as vice-chairman since 1980 and as a member of the board since 1971.

● Mr Jacques G. Maisonrouge, IBM senior vice-president, has been elected to the board of INTERNATIONAL BUSINESS MACHINES CORP. He continues as chairman, IBM World Trade Corp., member of the corporate management board and the business operations committee and member of the board of the IBM World Trade Europe/Middle East/Africa Corp. In October 1967 he was elected president of the IBM World Trade Corporation and vice-president of IBM. He became an IBM senior vice-president in September 1972.

● Mr Minoru Hashimoto has been named president, NKK AMERICA INC., New York, U.S. subsidiary of NKK (Nippon Kokan), succeeding Mr Seiichi Muto, who returns to Tokyo headquarters as corporate secretary. Mr Hashimoto had been general manager, machinery and materials purchasing department, Tokyo.

● Dr James H. Leonard has been elected vice-president, technology, BETHLEHEM STEEL CORP. He was general manager of the hydroturbine division of Allis-Chalmers.

● Mr George Yeh, formerly corporate manager of United Technologies, has been named president and chief operating officer of ID SYSTEMS CORP., of Hilliard, Ohio. ID Systems Corp. has formed new subsidiary, IDS Research and Development Corp. with Mr Yeh as president and chief operating officer.

INTERNATIONAL APPOINTMENTS

Mr George Yeh, president of ID Systems and IDS Research and Development

Dr John Heibel, founder and chief executive of Systems Corp. has become chairman and will also become chief executive and chairman for IDS Research and Development Corp.

Mr Yeh had been with United Technologies for four years. Previously, he was director of materials for Bendix Corp.

● NATOMAS CO., San Francisco, has named Mr Royston C. Hughes as senior vice-president of administration for Natomas North America. He will oversee administration, human resources, purchasing and graphics, as well as the oil and gas marketing and land administration for Natomas's Houston-based subsidiary which manages the company's petroleum exploration, production and marketing activities in the U.S., its offshore waters and Canada.

● SUN COMPANY states that Mr Clyde A. Wheeler, Jr, vice-president of Sun's Washington, DC office, will retire on April 1 next year and will be replaced by Mr Thomas L. Wylie, currently manager of external affairs for Sun's western coal and alternate energy businesses.

● Mr Robert E. Dixon has joined BUSINESS COMPUTING INTERNATIONAL, INC., New York, as senior vice-president and chief financial officer. He was senior credit officer of Citibank's Latin America division, based in Rio de Janeiro, where he directed consumer credit activities.

● GETTY OIL COMPANY, Los Angeles, has elected Mr C. Stedman Garber Jr to succeed Mr Hugh M. Slawson as the company's treasurer, following Mr Slawson's retirement on September 30. Mr Garber was assistant treasurer, corporate development.

● Mr K. G. R. MacLennan, director, international banking division of STANDARD CHARTERED MERCHANT BANK ASIA, has succeeded Mr J. H. Baldwin as managing director. Mr J. H. Baldwin will be leaving Singapore shortly to take up another appointment within the group.

● Mr Ray G. Anderson has resigned as a vice-president and new business officer of Chase Manhattan Capital Markets Corp to rejoin THE CHASE MANHATTAN BANK, NA. On September 15 he will become regional institutional manager for the Western Hemisphere Area's South America West region. He will have management responsibility for Chase's institutional banking relationships in Colombia, Ecuador, Peru, Bolivia and Chile. After January 1 1984 he will be based in Bogota, Colombia.

● Mr Eugene R. Montany has been appointed to the expanded position of vice-president, technology and strategic planning at UNITED TECHNOLOGIES' Pratt & Whitney Group. Mr Montany had been vice-president strategic planning for Pratt & Whitney Group since 1970 and will maintain his responsibility for analyses and recommendations concerning strategic business plans. In his new position, he will do the same for technology plans and will also co-ordinate Pratt & Whitney technology and strategic planning with UTC.

● Mr Jules Kyburz, manager of Migros Berne, is to succeed Mr Pierre Arnold as chairman of the MIGROS CO-OPERATIVE FEDERATION, Switzerland's leading retail group, on his retirement next year.

● Mr Joseph Chira, former Citibank group president, has joined BUSINESS COMPUTING INTERNATIONAL, INC. as executive vice president. Mr Chira was with Citibank from 1977 to 1981. As president of the Citibank Relationship Banking Group, he was responsible for marketing strategies for the national expansion of new consumer financial products.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¼ 90	100	92	92½	−0½	−0¾	11.98
Bk. of Amer. 8 88 XW	100	[illegible]	[illegible]	[illegible]	[illegible]	12.70
Bk. of Tokyo Hd. 11 90	100	[illegible]	[illegible]	[illegible]	[illegible]	12.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. 8 91	100	101	101¾	+1	+0¼	9.81
Tohoku El. Power 8 93	100	[illegible]	[illegible]	[illegible]	[illegible]	5.96
Trizec Corpn. 6¼ 91	100	102	102¼	0	[illegible]	5.88
World Bank 5¼ 92	200	97	97½	0	0	8.02

Average price changes... On day +0¼ on week 0

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8¼ 92	15	[illegible]	[illegible]	0	[illegible]	7.99
EIB 8½ 92	15	[illegible]	[illegible]	[illegible]	0	7.90
Japan Airlines 7¾ 87	5	[illegible]	[illegible]	0	[illegible]	7.18
New Zealand 7½ 88	15	[illegible]	[illegible]	0	0	7.28
World Bank 8 92	20	[illegible]	[illegible]	0	[illegible]	7.89

Average price changes... On day 0 on week −0¼

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week......	7,298.2	12,478.6
Previous week	6,395.4	9,978.5
Other bonds		
Last week......	1,096.5	543.9
Previous week	902.0	802.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv.price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 2

Copies of this Offer for Sale, each having attached thereto the documents specified in paragraph 12(f) of Appendix 3, have been delivered to the Registrar of Companies for registration.
This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Goring Kerr plc ("Goring Kerr" or "the Company") and its subsidiaries (together referred to as "the Group"). The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.
Application has been made to the Council of The Stock Exchange for the issued Ordinary Shares of the Company to be admitted to the Official List.
The application list for the Ordinary Shares now being offered for sale will open at 10.00 a.m. on Thursday 8th September 1983 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.

Goring Kerr plc

(Incorporated in England under the Companies Act 1948 – No. 514352)

Seeing the unseen

Offer for Sale by Tender by Sheppards and Chase

of 1,800,000 Ordinary Shares of 10p each at a minimum tender price of 200p per share, the price tendered being payable in full on application

SHARE CAPITAL

Authorised		*Issued and fully paid*
£800,000	Ordinary Shares of 10p each	£600,000

The Ordinary Shares now offered for sale rank in full for all dividends and other distributions hereafter declared, made or paid on the Ordinary Shares of the Company.

Indebtedness

At the close of business on 3rd August 1983, the Group had outstanding secured bank loans and overdrafts of £464,000, hire purchase commitments of £43,000 and bank deposits and credit balances of £587,000. £405,000 of the above bank loans and overdrafts and £597,000 of the bank deposits and credit balances were denominated in foreign currencies and have been translated at rates of exchange ruling on 3rd August 1983. There were contingent liabilities in respect of additional purchase consideration in connection with the acquisition of a subsidiary referred to in paragraph 11(a)(1) of Appendix 3. Save as aforesaid (and apart from intra-group borrowings within the Group and the Goring Kerr Group), no company within the Group had at that date outstanding or created but unissued any loan capital (including term loans), mortgages, charges or other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

Directors
Bruce Goring Kerr M Sc (Eng) — President and Technical Director
John Hugh Munro Mackenzie MA — Chairman
Richard Edward Richardson — Deputy Chairman and Managing Director
Norman David Butcher ASCA — Finance Director
Peter John Haycock — *Sales and Marketing Director*
Bryan Wilfred Lewis — Manufacturing Director
all at Vale Road, Windsor, Berkshire SL4 5JX.
Jan Severyn Schutz B Sc — Director — North America
of 120 Milner Avenue, Scarborough, Ontario M1S 3R2, Canada.

Secretary and Registered Office
Norman David Butcher
Vale Road
Windsor
Berkshire SL4 5JX

Stockbrokers
Sheppards and Chase
Clements House
Gresham Street
London EC2V 7AU
and The Stock Exchange

Reporting Accountants and Auditors
Edward Moore & Sons
Chartered Accountants
4 Chiswell Street
London EC1Y 4XB and
30/36 Fife Road
Kingston Upon Thames
Surrey KT1 1SZ

Solicitors to the Company
Lovell, White & King
21 Holborn Viaduct
London EC1A 2DY

Solicitors to the Offer for Sale
Macfarlanes
10 Norwich Street
London EC4A 1BD

Principal Bankers
National Westminster Bank PLC
258 High Street
Slough
Berkshire SL1 1JX

Principal Bankers to Tace plc
Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

Receiving Bankers
National Westminster Bank PLC
New Issues Department
P.O. Box 79
Drapers Gardens
12 Throgmorton Avenue
London EC2P 2BD

Registrars and Transfer Office
W. H. Stentiford & Co.
Woodland House
Collingwood Road
Witham
Essex CM8 2TS

SUMMARY

The following information should be read in conjunction with the full text of this Offer for Sale from which it is derived.

Business
The Goring Kerr Group designs, develops and manufactures sophisticated metal detection systems for a wide range of industrial applications which it sells worldwide either directly or through overseas subsidiaries or its international network of agents. The Group also manufactures level control devices, check weighers and photo-electric equipment and develops and manufactures products for the Ministry of Defence.

Profit record

Years ended 30th September	Turnover £'000	Profit before taxation £'000
1978	1,754	225
1979	1,700	135
1980	1,997	280
1981	2,080	376
1982	4,130	952
Seven months ended 30th April 1983	2,799	762

Profit forecast
Year ending 30th September 1983, not less than £1,300,000

Offer for Sale statistics

Issued share capital — Ordinary shares of 10p each	£600,000
Market capitalisation of the 6,000,000 Ordinary shares	£12 million
Earnings per share	10.5p
Price earnings multiple	19.0 times
Gross dividend yield	3.57%
Dividend cover	2.1 times

The above statistics are based, where appropriate, on the Minimum Tender Price of 200p per share and on the forecast profit before taxation, the anticipated tax charge, the expected dividend for a full year and the issued share capital as at the date of this Offer for Sale.

Introduction
The Group is a market leader in the design, development and manufacture of a range of high technology metal detection systems. Its systems are principally used in industrial applications, often in continuous production processes, and provide almost instantaneous and highly accurate detection of contaminating metal particles in a wide variety of products and raw materials and, where specified, rejection of such contaminated product. It also manufactures level control devices, photo-electric equipment and check weighers and develops and manufactures products for the Ministry of Defence.
The Group's particular expertise is based on its ability to combine its long experience of *the technology of metal detection with its engineering design skills.* This has enabled the Group to produce a range of detection systems incorporating its own specialised electronic circuits for use in a number of industrial applications both in the United Kingdom and abroad.

History
The business originated in 1948 when Bruce Goring Kerr was first involved in designing metal detectors and in 1952 it was incorporated *as* a limited company. The Company expanded by developing its product range to suit a wide variety of industrial applications and by establishing its home and export sales network, first appointing a North American agent for its metal detectors in 1963; this agency was acquired in 1981. In 1968, Tace plc ("Tace") purchased a 75% interest in the share capital of Goring Kerr which was increased to its present level of 90% in 1977.

Business
The Company's earliest metal detectors were based on electrical valve technology. Over the years the Goring Kerr Group has benefited from technological improvements in electrical and electronic components, progressively incorporating into its systems transistors, printed circuits, integrated circuits and silicon chips, adapting these improvements in its own circuit designs to achieve enhanced product performance. As a result, its products have become more sensitive, more reliable and more robust. The latest range of models, sold under the name Tektamet, which was introduced some two years ago, incorporates a number of Goring Kerr patented features. A description of the Tektamet metal detector appears in this Offer for Sale. This range of *sophisticated electronic* metal detection systems has evolved *as a result of* the Group's continuous research and development programme.
Goring Kerr metal detection systems operate in environments ranging from the hygienic conditions required in the food and pharmaceutical industries and in medical applications, to the rugged conditions encountered in the mining and timber industries. The systems will detect magnetic and non-magnetic metal contamination which may be invisible within the material being examined. According to specification, the metal to be detected will range in size from large pieces of broken machinery to minute particles, down to one quarter of a millimetre in size.
All Goring Kerr metal detection systems sold world-wide are manufactured in the United *Kingdom, except for the mechanical conveying systems sold in North America which* are manufactured by local sub-contractors to Goring Kerr's designs and specifications. Sales of metal detection systems accounted for more than 80% of the Group's turnover in the year ended 30th September 1982.

Applications for the Group's products
Food processing and *pharmaceutical industries*
In the food processing and pharmaceutical industries, Goring Kerr metal detection systems identify products containing contaminating metal and, where specified, automatically *reject the product from* the *manufacturing process.* This assists food processors and pharmaceutical manufacturers to maintain their standards of quality control and to protect consumers from metal contamination in finished products. The Company has increased the range of speeds of its detection equipment and its automatic rejection systems to meet the requirements of modern automated production processes in these industries.
The food processing industry is the principal market for the Group's metal detection systems. The continued emphasis of producers and large retail chains on maintaining and *improving the standards of their products and merchandise* is expanding the markets for the Company's metal detection equipment, particularly overseas.

Other industries
In the textile, timber, plastics, rubber and mining industries, Goring Kerr's metal detection systems are used principally to identify metal objects in the raw materials used in the production process to prevent damage to processing equipment and the consequent loss of production time.
In the textile industry, Goring *Kerr's metal detectors are used in identifying metal* contamination in material of up to twenty feet in width, the larger systems being used in the manufacture of carpets.
In the *timber* industry, Goring Kerr's metal detectors vary in aperture size from 10 inches by 4 inches for examining planks to 6 feet square for examining tree trunks. Objects found have included wire, nails, broken saw blades, shrapnel, horseshoes and artillery shells.
In the plastics and rubber industries, Goring Kerr's metal detectors have been developed to protect expensive moulds used in extrusion and injection moulding processes.
In the mining and quarrying industries, Goring Kerr's detectors will withstand the *particularly* demanding operating conditions and enable metal objects, such as detonators and *excavator teeth, to be detected and removed* before damaging the processing machinery.

Medical
The Company has applied its metal detector technology in developing a detector to *locate metal particles* in *eye* and body injuries. The equipment also indicates whether the metal is magnetic or non-magnetic to assist the surgeon in deciding upon the best method of removal. The equipment is portable and has its own rechargeable power source, enabling it to be used in mobile hospitals and other locations.

Other products
Goring Kerr manufactures a number of other products, including continuous level *indication and control* equipment *for* bulk materials, photo-electric switching devices and check weighers.
Products developed for the Ministry of Defence have included armament test sets for military aircraft. The Company manufactures this product for the Ministry of Defence as well as mechanical release timing devices.

Sales and marketing
In the United Kingdom, the selling and marketing of the Company's products is carried out by its own specialised sales force and a specialist distributor. In North America and other parts of the world selling and marketing is carried out *by the Group's own sales force and* an established network of agents.
Customers of the Goring Kerr Group include:

Allied Mills	Geo. *Bassett*	*Smiths Food* Group
Associated Biscuits	J W Thornton	United Biscuits (UK)
British United Shoe Machinery Co	Pilkington Bros.	Walkers Crisps
Brooke Bond Oxo	*Planters (of Romix Foods)*	*Warner Lambert*
Ciba-Geigy	Rank Hovis	

In the year ended 30th September 1982, the Group supplied more than 500 customers with metal *detection equipment; none of these customers accounted for more* than 5% of the sales of the Group in this period.
All the Group's exports from the United Kingdom are invoiced in sterling and all sales by *the North American subsidiaries* are invoiced in US or Canadian dollars.

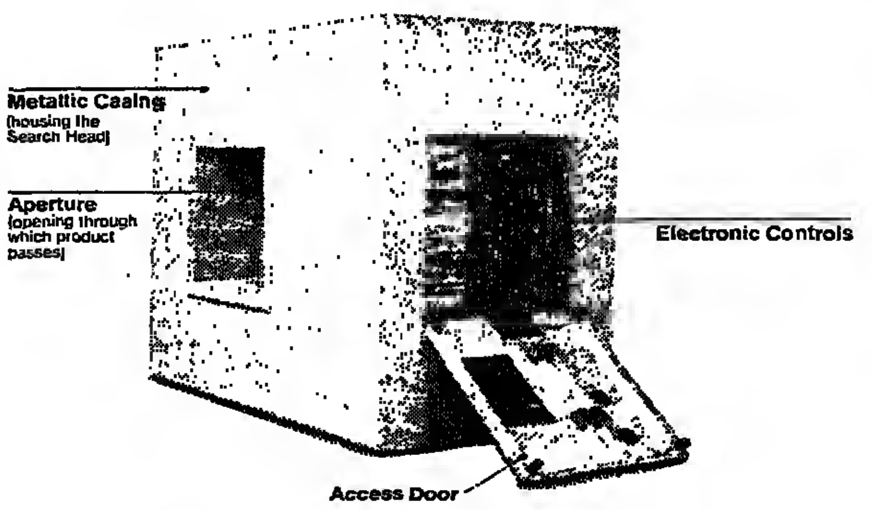
Tektamet Metal Detectors

The Product The Goring Kerr range of Industrial Metal Detectors are highly developed electronic devices capable of detecting contaminating metal particles in a wide variety of products and raw materials as they are passed through the Aperture. Typical sensitivities are in the order of 1 part in 50,000 which can be a metal particle as small as one quarter of a millimetre. Depending upon aperture size it is possible to detect larger particles travelling at speeds of up to 150 feet per second.

Construction A metal detector comprises two distinct components, namely the Search Head and the Electronic System, which are generally integrated into a single unit.

Mechanical The mechanical *design of the search head comprises* an outer Metallic Casing forming an electrical screen in which the electrical structure is enclosed to make an assembly designed to be resistant to vibration, temperature changes, water and dust.

Electronics The system is capable of identifying particles of contaminating metal which may only generate voltages of one millionth of a volt to produce a usable signal which passes through a timing system to enable rejection systems to operate correctly. The electronics also *monitor and compensate for changes* in the system occurring as a result of external influences, and check the performance of the system as a whole. The electronic circuits designed by Goring Kerr incorporate integrated circuits and other electronic devices.



Directors
B G Kerr, aged 64, has been a Director of the Company since its formation and was appointed President in 1975. Mr Kerr is Technical Director. He is an electronics engineer who leads the Company's research and development programme and co-ordinates the adaptation of the Company's products and systems to meet the particular needs of customers and *markets.*
J H M Mackenzie, aged 58, is non-executive Chairman. He has been connected with Goring Kerr since it was acquired by Tace in 1968. He was appointed Chairman of the Company on 3rd August 1983. He is Chairman of Tace and of London and Northern Group plc, a substantial shareholder in Tace.
R E Richardson, aged 43, the Deputy Chairman and Managing Director, has been Chief Executive of the Company for 8 years. During that period he has devoted a considerable *amount of time to the affairs of Goring Kerr.* In 1978, *he was* appointed to the board of Tace and shortly afterwards became its General Manager. Mr Richardson will continue to devote one third of his time to the affairs of Goring Kerr.
N D Butcher, aged 63, the Company Secretary, has been with the Company since 1957. He has been Finance Director since 1960.
P J Haycock, aged 47, joined the Company in 1976 as an export marketing executive and was appointed Sales and Marketing Director in 1977.
B W Lewis, aged 47, joined the *Company in 1952 and was appointed* a Director in 1973. From 1978 to 1983 he relinquished his executive responsibilities on taking up an appointment with another company in the Tace Group in order to broaden his experience. In January 1983, he resumed his position as Manufacturing Director.
J S Schutz, aged 52, is executive Vice-President of the Group's North American subsidiaries and has been involved in selling Goring Kerr's products in North America since 1963. He has dual British and Canadian nationality and was appointed a Director of the Company in 1982.

Management and staff
The Group has approximately 140 employees, including Directors and senior executives. There are approximately 90 employees in manufacturing, assembly and production control; the research, development and design departments comprise 9 employees and sales, marketing and technical services departments have a total of 17 employees, with 7 employees in finance and administration.
There are 13 employees in North America. The North American operating subsidiaries are managed by Mr Schutz and Mr A Frei. Mr Frei, aged 48, joined the Company's North American agency in 1972. He became a Director of GK Systems Corporation, the Company's USA agent, in 1972 and was appointed a Director of the Canadian subsidiary when it was incorporated in 1981.
Staff turnover is low and the Group has always enjoyed a good relationship with its employees. The Company has an insured contributory pension scheme for certain employees.

Properties
The Group's *headquarters, research,* production *and sales operations* are *located* in buildings of 35,000 sq. ft. on a site of 2.26 acres at Vale Road, Windsor, Berkshire held under a lease expiring on 25th June 2058 at a rent of £77,500 per annum with rent reviews every 14 *years, the* next *review being due* in 1997. The Directors consider that the Company has sufficient manufacturing space for its forecast requirements, although outline planning permission has been obtained for an extension of 10,000 sq. ft. to the factory premises at Windsor which will enable expansion to take place when required. The Group has office and factory accommodation, including service and repair facilities, in the USA and Canada, consisting of a 1.7 acre freehold property at Tonawanda, New York State providing 4,500 sq. ft. of accommodation, and leasehold premises of 2,800 sq. ft. at Scarborough, Ontario.

Profit record
The results of the Group, based on the figures in the Accountants' Report in Appendix 1, for the five years ended 30th September 1982 and for the seven months ended 30th April 1983 are summarised below:

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Turnover						
— United Kingdom	1,065	1,003	1,095	1,052	1,204	603
— *North America*	450	364	555	602	2,382	1,892
— Rest of the world	239	333	347	426	544	304
	1,754	1,700	1,997	2,080	4,130	2,799
Profit before taxation	225	135	280	376	952	762
Earnings *per share*	*1.88p*	1.40p	2.15p	*3.15p*	*7.83p*	*6.15p*

In 1979, the high rate of inflation had an adverse effect on margins. The Directors therefore decided to concentrate on developing overseas markets in order to expand total sales since the United Kingdom market, particularly for food processing applications, had been established for many years and its requirements were considered less likely to provide the Group with opportunities for expansion. *In* 1981, in anticipation of the potential for the new Tektamet range of metal detection systems in the USA and Canada, the Group purchased its North American agency operations on terms which were partly based on future profitability. These factors have resulted in the Group's production facilities being concentrated during the last two years on meeting this overseas demand.
The basis of *trading between* the Company *and* the North American *agency operations* has remained essentially the same following their acquisition by the Company. The acquisition of these operations produced a substantial increase in the Group's turnover, because their results fell to be consolidated as part of the Group, and also because of increased sales to North America. The contribution of these agency operations to the Group's profit before taxation amounted to £350,000 in the year ended 30th September 1982 and £417,000 in the period ended 30th April 1983. Details of the acquisition and the method of calculation, by reference to the *future* profitability of the *North American* agency operations, of the additional consideration payable are set out under Material Contracts in paragraph 11(a)(1) of Appendix 3.

Profit forecast and dividends
The Directors forecast that, subject to unforeseen circumstances, the profit before taxation of the Group for the year ending 30th September 1983 will amount to not less than £1.3 million. The bases and assumptions on which this forecast is made and reports on it by Edward Moore & Sons *and* by Sheppards *and* Chase are set out in Appendix 2.
On the basis of the forecast profit before taxation for the year ending 30th September 1983, and in the absence of unforeseen circumstances, the Directors intend to recommend a final dividend in respect of that year of 3p per share (4.29p gross) for payment in February 1984. If the Company's shares had been listed for a full year, the Directors would have expected, on the basis of the forecast profit before taxation, to have declared and recommended dividends totalling 5p per share (7.14p gross), of which approximately one third would have been paid as an *interim dividend.* It is expected that *in future years interim* and *final* dividends *would* normally be payable in August and February respectively.
The Directors expect that the forecast profit before taxation would be appropriated in a full year as follows:

Profit before taxation	£1,300,000
Taxation	£670,000
Profit after taxation	*£630,000*
Dividends totalling 5p per share for a full year	£300,000
Retained profit	£330,000
Earnings per share	10.5p

Based on the above figures the price earnings multiple at the minimum tender price would *be* 19.0 *times. The expected dividends* for a full *year totalling 5p per share (7.14p gross)* would be covered 2.1 times by profit after taxation and would provide a gross yield at the minimum tender price of 3.57%.

Tace
Following the Offer for Sale, Tace will own 82.5% of the issued share capital of the Company. *The* Board of *Tace* has informed the *Directors* that *it intends* to retain that shareholding in the Company as a long term investment and has agreed not to dispose of any shares in the Company before the results for the year ending 30th September 1984 are published without the consent of Sheppards and Chase. Goring Kerr will operate as an independent autonomous company under the direction of the board of Goring Kerr and any transactions, financing arrangements or services provided between Goring Kerr and any other member of the Tace Group will be conducted or charged on a normal arm's length basis. The Boards of Tace and Goring Kerr have agreed in principle that it will be in the common interests of both groups not to carry on any new business which will compete with a business of the other.
Goring Kerr is not raising any funds directly under the Offer for Sale but *Tace* has *agreed* that it will, following the Offer for Sale, repay all inter company loans from the Group to Tace as detailed in paragraph 10 of Appendix 3.

Reasons for the Offer for Sale
The Directors have concluded that the enhanced status of a separate listing is a logical step in the development of the Group which will give it further flexibility to expand its business and will assist the Group in taking advantage of the increasing market for its products, both at home and abroad. The Directors consider that as a result of being able, following the Offer for Sale, to issue marketable securities as consideration, the Company will be in a better position to take advantage of the opportunities that they believe will arise to make acquisitions in similar or related fields. No acquisitions are under consideration at the present time.

Prospects
The *Directors consider that the increasing awareness of manufacturers throughout* the world of the benefits of protecting their production processes and machinery from damage by contaminating metal and the requirements of retailers and consumers for higher standards of quality control will maintain an increasing demand for sophisticated high technology metal detectors. The Directors believe that the current level of orders reflects the success of the Tektamet range in meeting this demand and that continuing development of this range, further applications for it and new products will enable the Group to continue its growth and expansion. The Directors are also seeking to expand the development and manufacture of products for defence and other applications. These factors lead the Directors to view the future of the Group with confidence.

APPENDIX 1
Accountants' Report on the Group

The following is a copy of a report on the Group by the auditors of Goring Kerr, Edward Moore & Sons, Chartered Accountants.

4 Chiswell Street
London EC1Y 4XB

The Directors
Goring Kerr plc
Vale Road
Windsor
Berkshire

and

Sheppards and Chase
Clements House
Gresham Street
London
EC2V 7AU

2nd September 1983

Gentlemen

We have examined the accounts of Goring Kerr plc ("Goring Kerr") and its subsidiaries (see note 8) ("the Goring Kerr Group") covering the accounting periods from 1st October 1977 to 30th April 1983. We have been auditors to all companies in the Goring Kerr Group throughout the period covered by this report, other than overseas subsidiaries which have been audited by other auditors.

The information set out in Section A below is based on the audited historical cost accounts of Goring Kerr for the periods to 30th September 1981 and, for the subsequent periods, is based on such accounts of the Goring Kerr Group. The audit reports on these accounts were unqualified. No adjustments to the historical cost accounts are considered appropriate for the purposes of this report.

In our opinion the historical cost information set out in Section A below gives a true and fair view of the profits and source and application of funds of the Goring Kerr Group for each of the periods stated and of the state of affairs of the Goring Kerr Group and of Goring Kerr at 30th September 1982 and 30th April 1983.

No audited accounts have been prepared for any period subsequent to 30th April 1983.

We have reviewed, without carrying out an audit, the supplementary current cost information in Section B below which has been prepared on the basis of the accounting policies set out in that section.

A. HISTORICAL COST INFORMATION

A.1 Group Profits

	Note	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Turnover	1(b)	1,754	1,700	1,997	2,080	4,130	2,799
Cost of sales and operating expenses	2	(1,512)	(1,543)	(1,686)	(1,712)	(3,165)	(2,044)
		242	157	311	368	965	755
Other income	3	6	7	4	36	40	40
Interest payable		(23)	(29)	(35)	(28)	(53)	(33)
Profit on ordinary activities before taxation		225	135	280	376	952	762
Taxation	4	(112)	(51)	(151)	(187)	(482)	(393)
Profit after taxation		113	84	129	189	470	369
Dividends	5	(66)	(50)	(77)	(104)	(311)	—
Profit retained	15	47	34	52	85	159	369
Earnings per share	6	1.88p	1.40p	2.15p	3.15p	7.83p	6.15p

A.2 Group Statement of Source and Application of Funds

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Source of Funds						
Profit on ordinary activities before taxation	225	135	280	376	952	762
Adjustments for items not involving the movement of funds						
Depreciation	29	30	34	37	42	26
Surplus on disposal of fixed assets	—	(1)	(4)	(21)	—	—
Exchange rate adjustments	—	—	—	—	12	—
Total generated from operations	254	164	310	392	1,006	788
Funds from other sources						
Bank loan	—	—	—	—	360	—
	254	164	310	392	1,366	788
Application of Funds						
Goodwill arising on acquisition of subsidiaries	—	—	—	—	179	124
Taxation and payments for group relief	37	98	128	200	303	316
Dividends paid	69	38	81	94	118	254
Net purchase of fixed assets	21	10	54	(13)	97	42
	127	146	263	281	697	730
Increase in working capital	127	18	47	111	669	58
Represented by						
Increase/(decrease) in						
Stock and work in progress	53	71	(12)	32	174	31
Balances with holding and fellow subsidiary companies	(8)	(13)	(22)	14	231	103
Debtors	1	68	32	54	232	246
Creditors	5	(66)	22	(11)	(353)	(41)
Bank balances and cash	76	(42)	27	22	385	(281)
	127	18	47	111	669	58

The source and application of funds statement for the year ended 30th September 1982 includes the effect of the acquisition of subsidiary companies as follows:—

	£'000		£'000
Tangible fixed assets	70	Creditors	382
Stock and work in progress	200	Taxation	72
Debtors	277		
Bank balances and cash	240		
Goodwill	179	Consideration payable in cash	512
	966		966

The source and application of funds statement for the seven months ended 30th April 1983 includes an amount of £124,000 (shown as goodwill) in respect of additional consideration payable to the vendors of G.K. Systems Corporation Inc. (see note 17).

A.3 Balance Sheets

	Note	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Fixed assets					
Intangible	1(e)	179	—	364	—
Tangible	7	165	97	187	113
Investment in subsidiary company at cost	8	—	6	—	6
		344	103	551	119
Current assets					
Stock and work in progress	9	676	517	722	550
Debtors					
Holding and fellow subsidiary companies		267	69	516	11
Subsidiary companies	10(b)	—	810	—	1,031
Other	10(a)	869	472	1,160	581
Bank balances and cash		311	45	189	—
		2,123	1,913	2,587	2,173
Current liabilities					
Bank loan and overdraft—secured		(23)	—	(220)	(220)
Holding and fellow subsidiary companies		(301)	(301)	(308)	(247)
Other creditors falling due within one year	11	(1,042)	(669)	(883)	(473)
		(1,366)	(970)	(1,411)	(940)
Net current assets		757	943	1,156	1,233
Total assets less current liabilities		1,101	1,046	1,707	1,352
Creditors falling due after more than one year	12	(360)	(360)	(514)	(514)
Net assets		741	686	1,193	838
Capital and Reserves					
Share capital	14	77	77	77	77
Reserves	13	664	609	1,116	761
		741	686	1,193	838

Notes

1. Accounting policies

The principal accounting policies adopted in arriving at the financial information set out in this report are as follows:—

(a) Basis of accounting and consolidation
The consolidated accounts, which include the accounts of Goring Kerr and its subsidiaries, are presented on the basis of the historical cost convention except for the effects of translation of foreign currencies.

(b) Turnover
Turnover represents sales to parties outside the Goring Kerr Group and excludes value added tax.

(c) Taxation
Corporation tax is provided on taxable profits at current rates. Deferred taxation is provided at current rates of taxation to the extent that the Directors are of the opinion that such taxation may become payable in the foreseeable future.

(d) Research and development
Research and development costs are written off in the year of expenditure.

(e) Goodwill
Goodwill is the excess of the cost (including deferred consideration when ascertained – see note 17) of subsidiaries over the value of their net assets at the time of acquisition and is treated as an intangible fixed asset in the consolidated accounts.

(f) Fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided other than on land so as to write off the net cost of the assets over their estimated useful lives as follows:

Freehold buildings in USA	5% on reducing balance
Long leasehold property	10% on cost
Plant, machinery, vehicles and equipment	10% to 33⅓% on cost

(g) Investments in subsidiary companies
Investments in subsidiary companies are stated at cost.

(h) Stock and work in progress
Raw materials and component parts have been valued at direct cost. Work in progress and finished goods have been valued at cost, which includes an appropriate element of production overheads. In instances where net realisable value is considered to be lower than cost, the lower figures have been included. Net realisable value is calculated by reference to current selling prices of finished products less distribution costs.

(i) Foreign currencies
Foreign currency assets, liabilities and operating results are translated into sterling at the rates of exchange ruling at the balance sheet dates. Realised profits and losses on exchange are included in operating profit and unrealised exchange rate adjustments are dealt with in reserves.

2. Cost of sales and operating expenses include

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Directors' emoluments	48	55	73	71	148	99
Depreciation	29	30	34	37	42	20
Research and development	70	79	66	75	93	61
Auditors' remuneration	6	7	7	7	13	6

3. Other income

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Surplus on disposal of fixed assets	—	1	4	21	—	—
Interest on group and other loans	6	6	—	15	40	40
	6	7	4	36	40	40

4. Taxation

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
UK corporation tax and group relief payable at 52%	112	51	151	187	295	201
Overseas taxation	—	—	—	—	187	192
	112	51	151	187	482	393
(a) The UK tax charge in each of the periods has benefited from deferred taxation not provided as follows:						
Stock relief	9	26	(6)	19	15	12
Timing differences	4	(2)	6	(12)	(1)	—
	13	24	—	7	14	12

(b) The seven month period ended 30th April 1983 does not form an accounting period for tax purposes. However, tax charges have been calculated on the basis of the profits for this period and, for the United Kingdom, having regard to the increase in the "all stocks index" and allowances on capital expenditure incurred. The resulting United Kingdom liabilities are classified as due after more than one year in the balance sheets at 30th April 1983.

(c) No provision is made for deferred taxation in the balance sheets because the Directors are of the opinion that such taxation will not become payable in the foreseeable future and there is no indication that the situation will change thereafter.

The potential liability to deferred taxation not provided for is as follows:

	At 30th September 1982 Goring Kerr Group	Goring Kerr	At 30th April 1983 Goring Kerr Group	Goring Kerr
Excess of capital allowances over depreciation	29	29	29	29

5. Dividends
Dividends for the year ended 30th September 1982 amounting to £31,740 have been waived.

6. Earnings per share
Earnings per share are based on the profit after taxation divided by the 6,000,000 ordinary shares in issue at the date of this report (see note 14).

7. Tangible fixed assets

	Freehold property £'000	Long leasehold property £'000	Plant, machinery, vehicles and equipment £'000	Total £'000
Goring Kerr Group				
Cost at 30th September 1982	81	106	271	458
Accumulated depreciation	(17)	(97)	(179)	(293)
Net book value at 30th September 1982	64	9	92	165
Cost at 30th April 1983	89	106	308	503
Accumulated depreciation	(20)	(104)	(192)	(316)
Net book value at 30th April 1983	69	2	116	187
Goring Kerr				
Cost at 30th September 1982	—	106	261	367
Accumulated depreciation	—	(97)	(173)	(270)
Net book value at 30th September 1982	—	9	88	97
Cost at 30th April 1983	—	106	295	401
Accumulated depreciation	—	(104)	(184)	(288)
Net book value at 30th April 1982	—	2	111	113

In the opinion of the Directors the freehold and leasehold properties currently have an open market value on an existing use basis of £100,000 and £2,000 respectively.

8. Subsidiary companies
Investments in subsidiary companies (all of which were wholly-owned) at 30th September 1982 and 30th April 1983 comprised:

	Country of incorporation	Issued and fully paid capital
Held directly		
Goring Kerr International Limited	England	£5,000
Held indirectly		
Goring Kerr Holdings Inc.	USA	US $127,283
Goring Kerr Management Inc.	USA	US $508,525
Goring Kerr Inc.	USA	US $1,000
Goring Kerr Canada Inc.	Canada	Can $2

The subsidiary group was established following agreements, effective from 1st October 1981, to purchase the share capital of GK Systems Corporation Inc. and the business and trading assets of G.K. Systems Corporation Limited incorporated in Canada, a company which operated in Canada and was also owned by the then shareholders of G.K. Systems Corporation Inc. With effect from 1st October 1982 the business carried on by GK Systems Corporation Inc. was merged with that of Goring Kerr Inc.

9. Stock and work in progress

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Raw materials and consumables	232	231	240	240
Work in progress	198	198	217	217
Finished goods	246	88	265	93
	676	517	722	550

10. Debtors

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
(a) Other				
Trade debtors	853	466	1,094	550
Prepayments	16	6	66	31
	869	472	1,160	581

(b) Included in amounts owing to Goring Kerr by subsidiary companies is £345,000 at 30th September 1982 and £374,000 at 30th April 1983 due in more than one year.

11. Other creditors falling due within one year

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Trade creditors	338	263	367	271
Taxation and social security	97	31	123	4
Other creditors	137	17	190	67
Accruals	216	104	203	131
Proposed dividend	254	254	—	—
	1,042	669	883	473

12. Creditors falling due after more than one year

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Bank loan of US$610,000 repayable in five equal annual instalments from 10th December 1983 carrying interest at 1½% per annum above Libor	360	360	391	391
Proportion falling due within one year	—	—	(78)	(78)
Taxation	—	—	201	201
	360	360	514	514

The bank loan is secured by way of a floating charge over Goring Kerr's assets and a fixed charge over its long leasehold property.

13. Bank loan and overdraft

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Aggregate amount outstanding	383	360	533	533

14. Share capital

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1982 Goring Kerr Group £'000	Goring Kerr £'000
Authorised, issued and fully paid: 77,000 Ordinary shares of £1 each	77	77	77	77

As a result of the capitalisation issue of shares since 30th April 1983 (see note 15) the share capital of Goring Kerr at the date of this report is:—

	Authorised	Issued and fully paid
Ordinary shares of 10p each	£800,000	£600,000

15. Reserves

	Years ended 30th September 1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Profit and loss account—						
At beginning of period	249	296	330	382	467	626
Profit retained	47	34	52	85	159	369
Distributable reserves at end of period	296	330	382	467	626	995
Exchange rate adjustments	—	—	—	—	12	95
Share premium	26	26	26	26	26	26
Total reserves	322	356	408	493	664	1,116

Included above are accumulated retained profits of subsidiaries of £55,000 at 30th September 1982 and £355,000 at 30th April 1983.

Since 30th April 1983, the share premium account and £497,000 of the balance on profit and loss account have been capitalised and applied in paying up in full 5,230,000 Ordinary Shares of 10p each in Goring Kerr.

16. Capital commitments

	At 30th September 1982 Goring Kerr Group £'000	Goring Kerr £'000	At 30th April 1983 Goring Kerr Group £'000	Goring Kerr £'000
Authorised but not contracted	nil	nil	12	12

17. Contingent liabilities
Additional consideration payable for the purchase of the share capital of G.K. Systems Corporation Inc. is to be calculated by reference to the combined profits of G.K. Systems Corporation Inc. and Goring Kerr Inc. (which took over the business of G.K. Systems Corporation Inc. with effect from 1st October 1982) in respect of the two financial periods ending 30th September 1983 and 1984 and payable in cash not later than 6 months after the end of each of the said periods.

Profits (US$)	*Consideration (% of Profits)
Up to 160,000	nil
160,001-180,000	5
180,001-200,000	15
200,001-220,000	24
220,001-240,000	27
Over 240,000	25

*Calculated separately in respect of each level of profits.

On the basis of the anticipated combined profits for the year ending 30th September 1983 a further US$293,000 will become payable in respect of that period.

18. Holding company
Tace plc, incorporated in England, owns 90% of the issued share capital of Goring Kerr.

B. CURRENT COST INFORMATION

B.1 Group current cost profit and loss accounts

	Note	Years ended 30th September 1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Turnover		2,080	4,130	2,799
Historical cost operating profit before interest		404	1,005	795
Current cost operating adjustments	2	(96)	(107)	(38)
Current cost operating profit before taxation		308	898	757
Gearing adjustment	3	30	29	11
Interest payable		(28)	(53)	(33)
Current cost profit before taxation		310	874	735
Taxation		(187)	(482)	(393)
		123	392	342
Dividends		(104)	(311)	—
Current cost profit after taxation transferred to reserves		19	81	342
Current cost earnings per share (6,000,000 Ordinary) in issue at the date of this report		2.05p	6.53p	5.70p

B.2 Summarised Group current cost balance sheets

	Note	At 30th September 1981 £'000	1982 £'000	At 30th April 1983 £'000
Fixed Assets				
Tangible	4	141	243	264
Intangible		—	179	364
Working capital				
Stock and work in progress	5	510	680	727
Monetary working capital		318	313	553
		969	1,415	1,908
Financed by				
Issued share capital		77	77	77
Reserves	6	532	747	1,198
Proposed dividend		61	254	—
Net bank overdrafts and loan		—	72	364
Other net liabilities		299	265	269
		969	1,415	1,908

Notes

1. Accounting policies
The current cost accounts have been prepared in accordance with the principles of Statement of Standard Accounting Practice 16. Price changes, where not determined specifically, have been calculated by reference to appropriate official indices. Other than as indicated in these notes, the accounting policies used in the current cost accounts conform with those used in the historical cost accounts.

2. Current cost operating adjustments

	Years ended 30th September 1981 £'000	1982 £'000	Seven months ended 30th April 1983 £'000
Cost of sales	27	39	24
Monetary working capital	34	41	6
Depreciation	35	27	8
	96	107	38

The cost of sales adjustment represents the additional charge required to restate the historical cost of stock consumed at replacement cost.
The monetary working capital adjustment represents the additional funds required due to price changes to finance the surplus of debtors over creditors.
The depreciation adjustment represents the additional funds required to replace the fixed asset capacity consumed.

3. Gearing adjustment
The adjustment indicates the benefit to shareholders arising from that portion of current cost operating adjustments financed by external sources.

4. Tangible fixed assets

	Freehold and leasehold properties £'000	Plant, machinery, vehicles and equipment £'000	Total £'000
At 30th September 1982			
Current replacement cost	132	457	589
Aggregate depreciation	—	(346)	(346)
	132	111	243
At 30th April 1983			
Current replacement cost	134	503	637
Aggregate depreciation	—	(373)	(373)
	134	130	264

Freehold and leasehold properties are included in the current cost balance sheets at their replacement costs as estimated by the Directors. Plant, machinery, vehicles and equipment have been restated at depreciated replacement costs by reference to prices determined as described in note 1.

5. Stock and work in progress
This has been included at the lower of replacement cost and net realisable value calculated as described in note 1.

6. Reserves

	£'000
Current Cost Reserve at 1st October 1982	227
Revaluation surplus:	
Tangible fixed assets	7
Cost of sales adjustment	24
Monetary working capital adjustment	6
Gearing adjustment	(11)
Current Cost Reserve at 30th April 1983	253
Exchange rate adjustments	95
Share premium	26
Other Reserves	824
	1,198
Of which: realised	951
unrealised	247

Yours faithfully
Edward Moore & Sons

APPENDIX 2
Profit Forecast of the Group

1. Bases and assumptions
The forecast of the profit before taxation of the Group for the year ending 30th September 1983 as set out in this Offer for Sale has been prepared on the basis of the accounting policies normally adopted by the Group and is based on the audited accounts of the Group for the seven months ended 30th April 1983, on unaudited management accounts for May 1983 and on management forecast for the remainder of the year.

The Directors have made the following principal assumptions in arriving at this forecast:—
(a) there will be no material changes in foreign currency exchange rates: the US dollar sterling rate of exchange assumed in arriving at this forecast was US$1.51 = £1 and a variation in this rate as of 30th September 1983 of 10 cents to the £1 would affect the forecast by approximately £45,000;
(b) the Group's business will not be materially affected by changes in rates of taxation, other legislation, exchange control or other governmental regulations in any of the countries where the Group operates; and
(c) there will be no significant disruption to the Group's business through plant breakdowns, industrial disputes or failure to obtain supplies.

2. Letters relating to the profit forecast
The following is a copy of a letter from Edward Moore & Sons, Chartered Accountants, relating to the forecast of profit before taxation of the Group:

4, Chiswell Street
London EC1Y 4XB

The Directors
Goring Kerr plc
Vale Road
Windsor
Berkshire SL4 5JX

2nd September 1983

Gentlemen
We have reviewed the accounting policies applied and the calculations made in preparing the forecast of profit before taxation of Goring Kerr plc and its subsidiary companies (for which you, as Directors, are solely responsible) for the year ending 30th September 1983, as contained in the Offer for Sale dated 2nd September 1983.
In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by you and is consistent with the accounting policies normally adopted by Goring Kerr plc and its subsidiaries.

Yours faithfully
Edward Moore & Sons

The following is a copy of a letter from Sheppards and Chase, Members of The Stock Exchange, relating to the forecast of profit before taxation of the Group:

Clements House
Gresham Street
London EC2V 7AU

The Directors
Goring Kerr plc
Vale Road
Windsor
Berkshire SL4 5JX

2nd September 1983

Gentlemen
We refer to the Offer for Sale dated 2nd September 1983 which contains a forecast (for which you, as Directors, are solely responsible) of profit before taxation of Goring Kerr plc and its subsidiaries for the year ending 30th September 1983. We have discussed with you the bases and assumptions upon which this forecast has been made and have considered the letter dated 2nd September 1983 addressed to you from Edward Moore & Sons regarding the accounting policies and calculations supporting the forecast.
In our opinion, the forecast has been prepared after due and careful enquiry.

Yours faithfully
Sheppards and Chase

APPENDIX 3
Statutory and General Information

1. The Company

(a) The Company was incorporated in England as a private company on 18th December 1952 number 514362 under the name of Goring Kerr Limited with an authorised share capital of £100 divided into 100 Ordinary Shares of £1 each. At 1st September 1981, the authorised and issued share capital was 77,000 Ordinary Shares of £1 each, fully paid. Since that date, the following changes have been made:
(1) On 20th July 1983, a Special Resolution of the Company was passed to effect its re-registration as a public limited company and to make the necessary changes to its Memorandum and Articles of Association. The re-registration was effected on 28th July 1983;
(2) On 15th August 1983, each of the existing issued Ordinary Shares was sub-divided into 10 Ordinary Shares of 10p each and the authorised share capital was increased to £800,000 by the creation of 7,230,000 Ordinary Shares of 10p each;
(3) On 15th August 1983, the Company issued 5,230,000 Ordinary Shares of 10p each, credited as fully paid up by way of capitalisation of reserves; and
(4) On 15th August 1983, the Company adopted new Articles of Association.

(b) 2,000,000 Ordinary Shares of 10p each of the Company, representing 25% of the Company's authorised share capital, are unissued. No issue of such shares which would effectively alter the control of the Company will be made without the prior sanction of the Company in general meeting and no material issue of shares of the Company (other than to shareholders pro rata to existing holdings) will be made within one year without prior approval in general meeting.

(c) Subject to (b) the Directors are empowered, pursuant to Section 14 of the Companies Act 1980, to allot up to a maximum of 2,000,000 authorised but unissued Ordinary Shares of 10p each in the Company at any time or times before the date five years from the passing of the Special Resolution adopting new Articles without reference to a shareholders' meeting. Section 17(1) of that Act has been disapplied so as to permit the allotment of such shares in connection with a rights issue to the shareholders of the Company or the allotment of up to an aggregate nominal amount equal to 5% of the authorised ordinary share capital of the Company. The disapplication of that section has effect until the Annual General Meeting of the Company to be held in 1985 when the Directors will propose its renewal for another year.

(d) On 1st December 1981, Goring Kerr Canada Inc issued for subscription in cash to Goring Kerr International Limited 2 shares of Can $1 each at Can $1 per share. On 9th December 1981, Goring Kerr Management Inc and Goring Kerr Holdings Inc were incorporated, each with a paid up capital of US $200, such shares having been subscribed in cash at US $1 per share. On 10th December 1981, Goring Kerr Management Inc issued to Goring Kerr Holdings Inc 508,325 shares of US $1 each for subscription in cash at US $1 per share. On 10th December 1981, Goring Kerr Holdings Inc issued to Goring Kerr International Limited 127,083 shares of US $1 each for subscription in cash at US $1 per share.

(e) Save as referred to in sub-paragraph (a)(3) above and on paragraph (d) above, since 1st September 1981, no capital of the Company or of any of its subsidiaries has been issued or is proposed to be issued for cash or otherwise.

(f) No part of the capital of the Company or of any of its subsidiaries is under option or is proposed to be put under option.

(g) Save for the arrangements disclosed in paragraph 2 below, since 1st September 1981 no commissions, discounts, brokerages or other special terms have been granted in connection with the sale of any capital within the Group.

2. Offer for Sale Agreement
By an agreement dated 16th August 1983 ("the Offer for Sale Agreement") made between Tace and Mr B G Kerr (1) the Directors of the Company (2) the Company (3) and Sheppards and Chase ("S & C") (4), S & C have agreed, subject inter alia to the Council of The Stock Exchange admitting the Ordinary Shares of the Company to the Official List not later than 14th September 1983, to purchase 1,650,000 Ordinary Shares from Tace and 150,000 Ordinary Shares from Mr B G Kerr at the striking price under this Offer for Sale and to offer all such shares for sale to the public in accordance with the terms of this Offer for Sale for a commission of 2¼% of the minimum tender price on 1,800,000 Ordinary Shares and a fee.
The costs and expenses of and incidental to this Offer for Sale, including the costs of preparing, printing, circulating and advertising this Offer for Sale, all accounting expenses, the Company's legal expenses, the receiving bankers' and registrars' fees and expenses, the fees payable to The Stock Exchange and a fee to S & C are estimated to amount to £355,000 (exclusive of value added tax) and are payable as to £265,000 by Tace and as to £90,000 by Goring Kerr. S & C will pay underwriting commissions of 1½% on the minimum tender price per Ordinary Share and its own legal expenses.

3. Subsidiaries
The Company has the following subsidiaries, all of which are wholly-owned:

Name	Country of incorporation	Issued and fully paid capital	Activity
Goring Kerr International Limited	England	£5,000	Holding company
Goring Kerr Holdings Inc	USA	US $127,283	Holding company
Goring Kerr Management Inc	USA	US $508,525	Holding company
Goring Kerr Inc	USA	US $1,000	Agents for metal detection equipment
Goring Kerr Canada Inc	Canada	Can $2	Agents for metal detection equipment

4. Articles of Association
The Articles of Association of the Company contain, inter alia, provisions to the following effect:

(a) Votes of Members
Subject to any terms (as to which there are none at present) as to voting upon which any shares may be issued, or may for the time being be held, every member present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every share held by him.

(b) Variation of Rights
Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders, but not otherwise.

(c) Directors
(1) There is no shareholding qualification for a Director.
(2) The Directors shall be paid out of the funds of the Company by way of remuneration for their services up to £7,500 per annum for each Director or such larger sum as the Company may decide in general meeting.
(3) There is no age limit for Directors.
(4) No Director shall be disqualified from contracting with the Company or from being interested in any contract or arrangement entered into by or on behalf of the Company. No such contract or arrangement in which any Director shall be so interested shall be avoided, nor shall any Director so contracting, or being so interested, be liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by the Director in accordance with the Companies Acts 1948 to 1981.
(5) Save as provided below, a Director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.
(6) A Director is (in the absence of some other material interest than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
The giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
The giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
Any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
Any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of (whether solely or jointly) or beneficially interested in one per cent or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of one per cent or more of the voting rights of such company or he can cause one per cent or more of the voting rights of such company to be cast at his direction;
Any proposal concerning the adoption, modification or operation of a superannuation fund, death or disability benefit scheme, share option scheme, or share incentive scheme which relates both to directors and employees and does not accord to any director as such any privilege or advantage not generally accorded to the employees to which such fund or scheme relates.
(7) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not debarred from voting as provided above) is entitled to vote (and will be counted in the quorum) in respect of each resolution except that concerning his own appointment.
(8) The Company may by Ordinary Resolution suspend or relax the provisions summarised above to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
(9) The operation of Section 185 of the Companies Act 1948 is excluded and accordingly special notice will not be required of any resolution appointing or approving the appointment of a Director who has attained the age of 70.
(10) A Director may appoint as his alternate either another Director or any other person approved for that purpose by a majority of the Directors.

(d) Borrowing Powers
(1) The Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.
(2) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (being the Company and its subsidiaries) for the time being (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of shareholders, exceed an amount equal to twice the adjusted capital and reserves (as defined in the Articles of Association).

5. Shareholdings
Immediately following this Offer for Sale, the interests of Tace and Mr B G Kerr in the Company (each of which will be beneficially owned) as they will appear in the register maintained under the provisions of the Companies Act 1967 will be as follows:

Tace	3,750,000 Ordinary Shares (62.5%)
Mr B G Kerr	450,000 Ordinary Shares (7.5%)

At the date of this document, no person other than Tace or Mr B G Kerr is interested in any shares of the Company, except pursuant to the Offer for Sale Agreement.

STOCK EXCHANGE BUSINESS IN AUGUST

Gilt-edged turnover down

BY GRAHAM DELLER

STOCK EXCHANGE turnover in August contracted for the second consecutive month as investors marked time, reflecting continuing uncertainty over te economic outlook and the level of international interest rates. Normal seasonal inertia also contributed to the sharp decline in business, and despite the fact that there were 22 trading days in August, one more than in July, last month was the quietest for trade for 16 months.

Business in all securities declined £5.4bn, or 23.3 per cent to £17.67bn. The Financial Times Turnover index for All Securities was 541.4 compared with July's 706 and August 1982's all-time peak of 1,007.

Renewed fears of an upturn in U.S. interest rates, heightened by the first increase in prime lending rates for well over a year, unsettled British Government securities, although prices stabilised towards the end of the month after better than expected U.S. money growth figures. The holiday season took its toll however, and the absence of institutional money resulted in a 29.2 per cent fall in Gilt-edged turnover to £12.29bn. Short-dated issues fell 24.5 per cent, or £1.68bn to £5.19bn, while trade in longer-dated stocks declined 32.3 per cent or £3.39bn to £7.09bn.

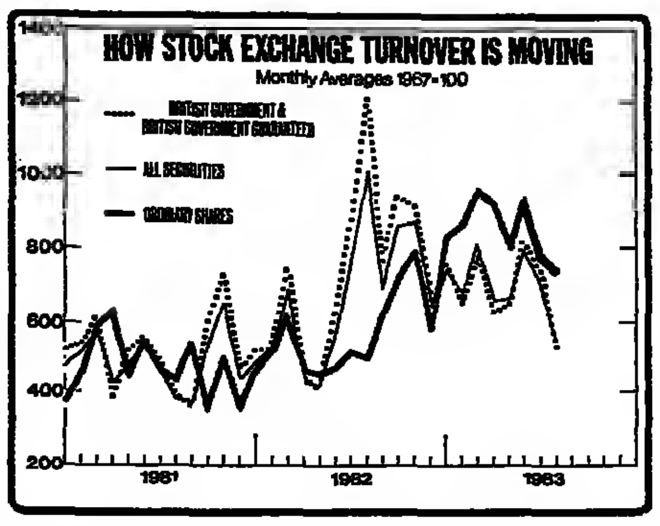
The Financial Times Turnover index for Government Securities was 530 compared with the previous month's 734.8.

London equity activity, on the other hand, held up remarkably well considering the virtual absence of institutional support, and turnover in ordinary shares fell only 5.9 per cent, or £0.26bn, to £4.14bn. Favourable trading statements from a number of leading UK industrial companies and July money supply figures closer to targets than originally anticipated lifted the FT Industrial Ordinary shares index to an all-time peak of 740.4 on August 22.

Prices fell sharply from this level, however, following worries about the prospect of personal taxation being raised to offset public spending; the index fell 16.4 for its biggest one-day fall since September 28 1981. Gloomy surveys from NIESR and the CBI further unsettled market sentiment and the index closed the month at 707.4, a modest fall of 3.8 points over the month. The Financial Times turnover index for ordinary shares fell to 738 from July's 784.1.

Helped by strong demand for ICI after an investment recommendation in a leading American publication and by persistent speculative interest in Irish oil exploration stocks, bargains transacted in equities rose 43,486 to 394,434, although the average value per equity bargain fell a substantial £2,000 to £10,500.

South African golds passed a relatively subdued month. The FT Gold Mines index rose 22.9 points to 678.9 reflecting sporadic U.S. support on the back of the bullion price.



	Value £m	% of total	Number of bargains	% of total	Average daily value £m	Average bargain value £000's	Average daily bargains
BRITISH FUNDS							
Short Dated (5 years or less to run)	5,191.8	29.4	19,476	4.0	236.0	266.6	885
Others (over 5 years)	7,094.0	40.1	42,929	8.8	322.5	165.2	1,951
TOTAL	12,285.8	69.5	62,405	12.8	558.5	196.9	2,836
IRISH FUNDS							
Short Dated (5 years or less to run)	256.5	1.5	1,023	0.2	11.6	250.7	47
Others (over 5 years)	269.9	1.5	1,236	0.3	12.3	218.4	56
UK LOCAL AUTHORITY	403.5	2.3	3,701	0.8	18.3	109.0	168
OVERSEAS GOVERNMENT	76.8	0.4	1,154	0.2	3.5	66.6	52
OTHER FIXED INTEREST	239.5	1.4	21,933	4.5	10.9	10.9	997
ORDINARY SHARES	4,136.0	23.4	394,434	81.2	188.0	10.5	17,929
TOTAL	17,668.0	100.0	485,886	100.0	803.1*	36.4	22,805*

* Average of all securities.

CONTRACTS

MEL wins £10m order from Canada

MEL, Crawley, has won a £10m order from the Canadian Government to equip its destroyers with Canews advanced electronic surveillance system.

Canews is stated to be a sensitive, accurate system which gives maximum warning of enemy activity and deployment. A service test model was successful in trials carried out by the Canadian Navy in the autumn of 1981.

MEL has been selected by the Ministry of Defence for two multi-million pound contracts; one for a new advanced lightweight H.F. radio, the other for message processing terminals. The lightweight HF radio will be specially developed for the MoD and is based on the battle-proven microprocessor-controlled Callpac PRC/VRC 2000 tactical HF radio.

*

HADEN DRYSYS, a subsidiary of Haden, has a contract worth £2.3m for the design and construction management of paint finishing lines for three commercial vehicle plants in The People's Republic of China. The contract is with the China Machinery and Equipment Corporation acting on behalf of the China Automotive and Industrial Corporation. The plants are at Changchum, Shiyan and Jinan. Between them, these three plants account for 50 per cent of total lorry output in China. Haden Drysys's work involves the upgrading of existing installations to incorporate the latest state of the art technology. The Changchun plant will use a spray-dip-spray pretreatment line and cathodic Electrodip, followed by a colour line with Hydrospin spray booths equipped with Hydropac waste paint collection systems. A similar specification is also to be used at the smaller Jinan plant. The Shiyan installation will comprise a full dip pretreatment plant and cathodic Electrodip; existing colour lines are being retained. Haden Drysys designs are also to be used for air handling equipment and drying ovens at all three vehicle plants.

*

OMETRON has gained two orders for SPATE 8000 stress analysis equipment from the National Engineering Laboratories and the Transport Road Research Laboratories (TRRL). Together, the orders are worth over £150,000.

*

AEROSOLS INTERNATIONAL, Wellington, has won a contract to produce 25 per cent of Share Drug Stores own label products. The company will be supplying 15 products in all, which include antiperspirants, cleaners, air fresheners, body sprays, a hair mousse, spray starch and a shave foam. A programme to develop sun tan preparations, for 1984, will also shortly be under way. The contract is worth £250,000.

6. Directors' Service Contracts

The following are the details of the service contracts of the Directors of the Company:

Name	Date	Period	†Salary	Commission
B G Kerr	15.8.1983	1.8.83-31.7.86	£35,000 pa	2.80%
R E Richardson	15.8.1983	1.8.83-31.7.88	£13,500 pa	See note (f)
N D Butcher	15.8.1983	1.8.83-31.7.85	£15,000 pa	0.75%
B W Lewis	15.8.1983	1.8.83-31.7.88	£18,500 pa	0.75%
P J Haycock	15.8.1983	1.8.83-31.7.88	£20,000 pa	1.00%
J S Schutz	16.6.1982	1.9.81-30.9.84	Can $64,000 pa †including fees	See note (e)

Notes

(a) All the contracts continue subject to 6 months' notice after the end of the periods stated above.

(b) All salaries are subject to annual review.

(c) The commissions payable to Mr B G Kerr, Mr N D Butcher, Mr B W Lewis and Mr P J Haycock are in each case:
(1) on the profits before taxation of the Group in excess of £300,000 pa before deducting such commissions;
(2) subject to a maximum of an amount equal to the whole of such salary payable in respect of the same period.

(d) Options exist in the case of Mr B G Kerr and Mr N D Butcher under which either party to the contract can require that it is replaced by a part-time consultancy contract for the period from 1st August 1985 to 31st July 1988.

(e) Mr J S Schutz is entitled to a basic commission of 2½% of the pretax profits of Goring Kerr Inc and Goring Kerr Canada Inc subject, in respect of any period commencing on or after 1st October 1984, to a maximum of an amount equal to the salary payable in respect of the same period. In addition, he is entitled to the following commission on the profits before taxation and before deducting such commissions of Goring Kerr Canada Inc in respect of the years ending 30th September 1983 and 1984:

Profits (Can $)	†Commission % of profits
Up to 50,000	Nil
50,001 – 56,000	2.5
56,001 – 62,000	7.5
62,001 – 68,000	12.0
68,001 – 74,000	13.5
Over 74,000	17.5

†Calculated separately in respect of each level of profits.

(f) Under a service contract dated 15th August 1983 between Tace (1), Goring Kerr (2) and Mr R E Richardson (3), Mr R E Richardson is employed by Goring Kerr for a period of five years from 1st August 1983. Under this contract, Mr Richardson is paid a salary of £13,500 pa and is required to devote one third of his time to the affairs of the Goring Kerr Group.

(g) Mr P J Haycock and Mr B W Lewis, full-time Executive Directors of the Company, and Mr R E Richardson, an Executive Director of the Company and an Executive Director and the General Manager of Tace, are members of the Tace Group 1973 Pension and Life Assurance Scheme. The full employer's cost of the participation in that scheme of Mr Haycock and Mr Lewis and a proportion relevant to the extent to which Mr Richardson devotes his time to the affairs of the Company is borne by the Company.

(h) The aggregate emoluments (excluding pension contributions) of the Directors for the year ended 30th September 1982 amounted to £141,000 (including commission aggregating £57,000). It is expected that the aggregate emoluments (excluding pension contributions) of the Directors for the year ending 30th September 1983 will amount to £169,000, including commission; and that, on the assumption that the service contracts detailed above had been in effect for the twelve months ending 30th September 1983, such emoluments (excluding pension contributions but including commission) would have totalled £219,000.

7. Interests of Directors

(a) Except for Mr. B G Kerr, none of the Directors is interested (as defined in the Companies Acts) in the Ordinary Shares of the Company.

(b) Save for the interest of Mr J S Schutz in the contracts referred to in paragraph 11(a) below, no Director has any interest, direct or indirect, in any assets which since 1st September 1981 have been or are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries.

(c) Save for the interest of Mr J S Schutz in the contracts referred to in paragraph 11(a) below, no Director has any material interest in any contract, transaction or arrangement with any company within the Group which is significant in relation to the business of the Group taken as a whole, nor is any such contract proposed.

(d) Mr B G Kerr has undertaken to Tace that with regard to the 450,000 Ordinary Shares of the Company which he will hold following completion of this Offer for Sale:
(1) he will not dispose of any of them before the audited accounts of the Company for the year ending 30th September 1983 have been published; and
(2) he will not dispose of more than 25% of them in any one calendar year.

8. Taxation

(a) The Directors have been advised that the Company is not a close company as defined in the Income and Corporation Taxes Act 1970.

(b) Under the Offer for Sale Agreement referred to in paragraph 2 above, Tace has given the Company certain taxation indemnities.

9. Working Capital

The Directors are of the opinion that, having regard to the bank and other facilities available, the Group has sufficient working capital available for its present requirements.

10. Agreements between the Company and Tace

(a) Under an agreement dated 15th August 1983 between Tace (1) Goring Kerr (2) and Mr R E Richardson (3), Tace consented to Mr Richardson entering into the service contract referred to in paragraph 6(f) above. This agreement provides that, with effect from 1st August 1983, the salary payable to Mr Richardson under his existing service contract with Tace dated 19th December 1979 is to be reduced from £40,500 to £27,000 and that two-thirds of the costs of his pension scheme and other general expenses will be paid by Tace and the remaining one-third by Goring Kerr. Tace also has an option (which it has exercised) to require that, in lieu of the salary payable by Goring Kerr under the contract mentioned in paragraph 6(f) above, Goring Kerr shall pay a management charge of the same amount to Tace. Whilst the exercise of this option is in force, the salary payable by Tace to Mr Richardson will be increased by the amount which he would otherwise have received from Goring Kerr.

(b) Under a deed which is conditional on completion of this Offer for Sale, dated 15th August 1983 between Tace (1) and the Company (2) Tace has agreed to repay in full the inter-company loans from the Group (which amounted to £435,000 on 3rd August 1983) together with interest accrued down to the date of repayment by not later than 30th September 1983; and Tace and Goring Kerr have agreed not to carry on any new business which will compete with a business of the other.

11. Material Contracts

The following contracts, not being in the ordinary course of business, which have been entered into since 1st September 1981 are or may be material:–

(a) (1) A contract dated 12th June 1981 and made between J S Schutz (1), A Frei (2) and Tace (3) (as amended by a Supplemental Agreement dated 16th June 1982 and made between J S Schutz (1), A Frei (2), Tace (3) and Goring Kerr Management Inc (4)), under which Goring Kerr Management Inc purchased the entire issued share capital of GK Systems Corporation (incorporated in the USA) from Mr J S Schutz and Mr A Frei for a sum equal to the net book value of the assets of GK Systems Corporation at 31st August 1981, namely US $509,325, which was paid in cash on completion on 10th December 1981, plus a further consideration to be calculated by reference to the combined pre-tax profits of GK Systems Corporation and Goring Kerr Inc (which took over the business of GK Systems Corporation with effect from 1st October 1982) in respect of the three financial periods ending 30th September 1982, 1983 and 1984 and payable in cash not later than 6 months after the end of each of the said periods:

Profits (US $)	†Consideration (% of Profits)
Up to 160,000	nil
160,001-180,000	5
180,001-200,000	15
200,001-220,000	24
220,001-240,000	27
Over 240,000	35

†Calculated separately in respect of each level of profits.

The additional consideration in respect of the profits for the year ended 30th September 1982 amounted to US $202,357. On the basis of the anticipated profit of Goring Kerr Inc for the year ending 30th September 1983, a further US $293,000 will become payable in respect of that period.

(2) A contract dated 1st September 1981 and made between Goring Kerr Canada Inc (incorporated in Canada, a wholly-owned subsidiary of Goring Kerr International Limited) (1) and GK Systems Corporation Limited (a Canadian company owned by J S Schutz and A Frei) (2) under which Goring Kerr Canada Inc acquired the business, fixed assets and stock in trade of GK Systems Corporation Limited for an amount equal to the net book value thereof at 31st August 1981, namely Can $73,011, which was paid in cash on completion on 10th December 1981.

(b) The Offer for Sale Agreement.

(c) The agreement and deed referred to in paragraph 10 above.

12. Miscellaneous

(a) No part of the proceeds of this Offer for Sale is receivable by the Company and therefore there is no minimum amount required to be provided in respect of any other matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948.

(b) The financial information concerning the Group contained in this Offer for Sale does not constitute the publication of full individual or full group accounts within the meaning of Section 11 of the Companies Act 1981. [illegible]

(c) [illegible]

(d) [illegible]

(e) [illegible]

(f) [illegible]

(g) [illegible]

(h) [illegible]

13. Documents available for inspection

[illegible]

Copies of this Offer for Sale incorporating the Form of Application may be obtained in London from:

[illegible]

Procedure for Application

Applications

1. [illegible]

2. [illegible]

3. [illegible]

4. [illegible]

5. [illegible]

Basis of Acceptance

6. [illegible]

7. [illegible]

8. [illegible]

9. Dealings in the Ordinary Shares of the Company are expected to begin on 15th September 1983.

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10.00 a.m. ON THURSDAY, 8th SEPTEMBER 1983 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This Form, duly completed, together with a cheque or banker's draft drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses (and which must bear the appropriate sorting code number in the top right hand corner) made payable to "National Westminster Bank PLC" and crossed "Not Negotiable", representing payment in full at the application price, should be forwarded or handed to National Westminster Bank PLC, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, not later than 10.00 a.m. on Thursday 8th September, 1983. A separate cheque/banker's draft must accompany each application. An application cannot be considered unless these conditions are fulfilled. All cheques/banker's drafts are liable to be presented for payment. Photostat copies of forms of application will not be accepted. Applicants by post are advised to use first class post and to allow at least two days for delivery.

GORING KERR plc

(Incorporated in England under the Companies Act 1948 — No. 514352)

Offer for Sale by Tender
by
Sheppards and Chase

of 1,800,000 Ordinary Shares of 10p each at a minimum tender price of 200p per share, the price tendered being payable in full on application

FORM OF APPLICATION

*Number of Ordinary Shares applied for	**Price per share at which application is made	***Amount of cheque/banker's draft enclosed
	p	£

UNLESS ALL THREE BOXES ARE PROPERLY COMPLETED THIS APPLICATION MAY BE TREATED AS INVALID.

*Applications must be for a minimum of 100 shares and in multiples of 100 shares up to 1,000 shares, and thereafter in multiples of 500 shares up to 5,000 shares, in multiples of 1,000 shares up to 10,000 shares, in multiples of 5,000 shares up to 50,000 shares and in multiples of 10,000 shares over 50,000 shares.

** The price per share at which application is made must be inserted here and must be 200p or a higher price which is a multiple of 5p.

*** The number of shares applied for multiplied by the price per share at which application is made.

FOR OFFICE USE ONLY
1. Acceptance Number
2. Number of shares accepted
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque Number

To: Sheppards and Chase

Gentlemen,

I/We enclose a cheque/banker's draft payable to "National Westminster Bank PLC" for the above mentioned sum, being the amount payable in full on application for the stated number of Ordinary Shares of 10p each of Goring Kerr plc ("Goring Kerr") at the price per share at which this application is made. I/We irrevocably offer to purchase that number of shares and I/we agree to accept the same or any lesser number of shares in respect of which this application may be accepted upon the terms of the Offer for Sale dated 2nd September 1983 and subject to the Memorandum and Articles of Association of Goring Kerr. I/We hereby authorise you to send to me/us a fully paid renounceable Acceptance Letter for the number of shares in respect of which this application is accepted and/or a cheque for any moneys returnable by post at my/our risk to the first address given below. I/We hereby authorise you to procure my/our name(s) to be placed on the register of members of Goring Kerr as the holder(s) of the shares so purchased by me/us the right to which has not been effectively renounced.

In consideration of your agreeing to accept applications on the terms and subject to the conditions of the said Offer for Sale, I/we agree that this application shall be irrevocable until 15th September 1983 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon delivery of this Form of Application duly completed to National Westminster Bank PLC at the address shown above.

I/We declare that due completion and delivery of this Form of Application, accompanied by a cheque, constitutes a warranty that such cheque will be honoured on first presentation. I/We acknowledge that any Acceptance Letter and (if appropriate) remittance for any moneys returnable may be held pending clearance of any such cheque.

1. Signature .... Dated 1983
(1st Named Applicant)

PLEASE USE BLOCK LETTERS

Please pin your cheque/bankers' draft here.

Forename(s) in full ....

Surname and designation (Mr., Mrs., Miss, Ms. or title) ....

Address (in full) ....

.... Post Code ....

The signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity. If this Form is signed by an attorney, the power of attorney or a duly certified copy thereof must accompany this form.

2 Signature .... Surname and designation (Mr., Mrs., Miss, Ms. or title)
Forename(s) (in full) ....
Address (in full) ....
.... Post Code ....

3 Signature .... Surname and designation (Mr., Mrs., Miss, Ms. or title)
Forename(s) (in full) ....
Address (in full) ....
.... Post Code ....

4 Signature .... Surname and designation (Mr., Mrs., Miss, Ms. or title)
Forename(s) (in full) ....
Address (in full) ....
.... Post Code ....

No receipt will be issued for the payment on application, but an acknowledgement will be forwarded in due course through the post, at the risk of the applicant(s), by fully paid renounceable Acceptance Letter and/or remittance for any application moneys returnable.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Standard Chartered Offshore Money Market Fund Limited. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. All the Directors accept responsibility accordingly.
Application has been made to the Council of The Stock Exchange for the Participating Redeemable Preference Shares of each class of the Company to be admitted to the Official List.
Copies of this Prospectus and of the documents specified herein have been delivered for registration to the Registrar of Companies in England.
The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions; persons receiving this Prospectus are required by the Company and the Manager to inform themselves of and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not authorised to any person to whom it is unlawful to make such offer or solicitation.
No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering of Shares and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Manager. The delivery of this Prospectus or the allotment or issue of Shares does not imply that there has been no change in the affairs of the Company since the date hereof.
The consent of the Finance and Economics Committee of the States of Jersey under the Control of Borrowing (Jersey) Order 1958 (as amended) has been obtained for the issue of the Shares. The consent of the Advisory and Finance Committee of the States of Guernsey under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976 has been obtained for the issue of the Shares in the Island of Guernsey. It must be distinctly understood that in giving these consents neither Committee takes any responsibility for the financial soundness of any schemes or for the correctness of any statements made or opinions expressed with regard to them.
Investors should be aware that, while the value of a Share will normally rise daily as income accrues on the investments of the Currency Funds, the value of a Share may decline in certain circumstances, such as a marked rise in interest rates.
The Shares have not been registered under the United States Securities Act of 1933. Except in a transaction which does not violate the Act, they may not be directly or indirectly offered or sold in the United States of America, or any of its territories, possessions or areas subject to its jurisdiction, or to or for the benefit of a US person as defined herein.
This Prospectus does not constitute an offer of Shares for subscription after 11.00a.m. on 15th September, 1983.
Copies of this Prospectus and Application Form may be obtained from Standard Chartered Offshore Money Market Fund Limited, c/o Standard Chartered Fund Managers (C.I.) Limited and from the Company's Stockbrokers, Cazenove & Co.

Standard Chartered Offshore Money Market Fund Limited

(Incorporated with limited liability in Jersey on 25th August, 1983 under the provisions of the Companies (Jersey) Laws 1861 to 1968 and having an authorised share capital of US$500,100).

Initial Offer for Subscription of up to 50,000,000 Participating Redeemable Preference Shares of US1 cent each of the following classes and at the following prices payable in full on application. The minimum initial investment is £1,000 or the approximate equivalent in other currencies. Subsequent investment may be for any number of Shares.

CLASS OF SHARES	PRICE PER SHARE
Sterling	£10
US Dollar	US$20
Deutschemark	DM50
Swiss Franc	SwFr40
Japanese Yen	YEN5,000

SHARE CAPITAL		
Authorised		Issued or to be issued
US$100	Founders Shares of US$1 each	US$100
US$500,000	Unclassified Shares of US1 cent each	up to US$500,000

OBJECTIVES

Each Currency Fund is designed to provide shareholders with:
- The advantage of significantly *higher interest rates* available to the Company on the interbank markets, normally only available to investors placing sums equivalent to US$1 million or more.
- *Availability of repayment* at 2 days' notice yet with interest rates appropriate to a balanced maturity profile, as described in the section entitled "Investment Policy".
- A return in the form of *capital growth* in the value of the Shares rather than by payment of dividends.
- *Security of capital* provided by funds held in the main in the form of cash deposits. At the discretion of the Manager and with the benefit of the advice of the Investment Adviser investments can also be made in Certificates of Deposit and other negotiable money market instruments of undoubted standing, as described in the section entitled "Investment Policy".
- *Professional Management* by the Manager which has access to the international expertise of the Standard Chartered Bank Group with some 1900 branches in more than 60 countries around the world.
- *A simple and cost efficient* means of switching between currencies.

CURRENCY FUNDS

A separate fund designated in the appropriate currency will be maintained in respect of each class of Shares. Subscription and redemption monies for such Shares will be payable in the currency concerned (but see details under "Currencies Available") except that subscription and redemption monies in respect of the Yen Fund will not be payable in Yen. The arrangements set out under "Yen Shares" will apply.

INDEBTEDNESS

The Company has at the date hereof no debentures, loan capital (including term loans) outstanding or created but unissued nor any mortgages, charges, other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

DIRECTORS & ADMINISTRATION

Chairman
Sir Ronald Leach, GBE, LLD, FCA, *(British)*
Chairman, Standard Chartered Bank (C.I.) Limited, Mayo House, Conway Street, St. Helier, Jersey, Channel Islands.

Directors
Melvyn Douglas Balloch, *(British)*
Group Manager Banking Relations, Standard Chartered Bank PLC, Treasury Division, 37 Gracechurch Street, London EC3V 0BX.
Norman John Holden, *(British)*
Director in Austria, Standard Chartered Bank PLC, Representative Office, Kaerntner Ring 10, 1010 Wien, Austria.
Werner Wilhelm Karl Neumann, *(German)*
The Chief Manager, Germany, Standard Chartered Bank PLC, Knochenhauerstwiete 5, 2000 Hamburg 1, West Germany.
Peter William Weller, *(British)*
General Manager, Standard Chartered Bank PLC, 10 Clements Lane, London EC4N 7AB.
John Stanley Wetherall, *(British)*
Director, Standard Chartered Bank (C.I.) Limited, Mayo House, Conway Street, St. Helier, Jersey, Channel Islands.

Registered Office
Mayo House, Conway Street, St. Helier, Jersey, Channel Islands.

Manager, Secretary and Registrar
Standard Chartered Fund Managers (C.I.) Limited, P.O. Box 122, Conway Street, St. Helier, Jersey, Channel Islands.
Telephone No: (0534) 74454 Telex No: 4192013

Custodian
Standard Chartered Trust Company (C.I.) Limited, Commercial House, Commercial Street, St. Helier, Jersey, Channel Islands.

Bankers
Standard Chartered Bank (C.I.) Limited, Mayo House, Conway Street, St. Helier, Jersey, Channel Islands.

Investment Adviser
Standard Chartered Bank (C.I.) Limited, Mayo House, Conway Street, St. Helier, Jersey, Channel Islands.

Auditors & Reporting Accountants
Peat, Marwick, Mitchell & Co., Chartered Accountants, Equity & Law House, La Motte Street, St. Helier, Jersey, Channel Islands.

Depositary
Standard Chartered Bank PLC, Amsterdam Branch, Herengracht 418, P.O. Box 3636, 1001 AK Amsterdam, Netherlands.

Legal Advisers to the Company
In Jersey Mourant du Feu & Jeune, 16 Hill Street, St. Helier, Jersey, Channel Islands.
In England Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA.

Brokers
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.

DEFINITIONS

"Manager" Standard Chartered Fund Managers (C.I.) Limited.
"Redemption Price" the price at which Shares are redeemed.
"Settlement Day" generally the day which is two Dealing Days after the relevant Dealing Day.
"Shares" Participating Redeemable Preference Shares of US1 cent each in the capital of the Company ...
"Standard Chartered Bank Group" Standard Chartered Bank PLC ... and its subsidiaries including the Manager, the Custodian and the Investment Adviser, all of which are ultimately wholly owned by Standard Chartered Bank PLC.
"Subscription Price" the price at which Shares are allotted.
"US Person" a national or resident of the United States of America (including its territories, possessions and all areas subject to its jurisdiction), the estate of any such person and any corporation, partnership or other entity created or organised under the laws of the United States of America or any political subdivision thereof.

PRINCIPAL DETAILS

Currencies Available
Investment in the Company can be made by subscribing for Shares designated in the following currencies:-
Sterling
US Dollars
Deutschemarks
Swiss Francs
Japanese Yen

The Currency Funds are designed for investors who wish to maintain their cash reserves matched in one particular currency or in a range of currencies depending upon their own requirements.

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a wholly owned Jersey subsidiary of Standard Chartered Bank PLC, the fifth largest United Kingdom Bank, with multi-currency deposits currently in excess of £22,000 million attracted through its international branch network from large and small investors.

The Investment Adviser is able to draw on the experience of the Standard Chartered Bank Group's worldwide Treasury operations with their expertise in all aspects of interbank and currency dealing.

Manager
The Manager is Standard Chartered Fund Managers (C.I.) Limited, a wholly owned subsidiary of Standard Chartered Bank (C.I.) Limited.

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of the share certificate and forwarding it to the Manager.

Where the shareholder has utilised the services of S.C.B. Nominees (C.I.) Limited and has appointed that company to act on his behalf, instructions can be given by telex or telephone in accordance with the mandate. Full details are given under "Application Procedure".

In all cases the following information is required:-
(a) Number and class of Shares to be redeemed or amount of cash to be raised.
(b) Currency in which payment is to be made (any freely convertible currency other than Yen).
(c) Share certificate number(s).

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The right to convert is subject to the provisions on the temporary suspension of dealings mentioned in "General Information". It is also dependent on the Company having available sufficient authorised share capital to implement the conversion.

The share certificate will be posted to the shareholder when the old share certificate, if issued, is in the possession of the Manager, but the conversion itself will not be delayed.

Yen Shares
Owing to restrictions imposed by the Japanese authorities, no payments in respect of the issue or redemption of Yen shares may be made in Japanese Yen. Any necessary foreign exchange transactions will be undertaken by the Company's bankers. In the case of redemption ...

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the Company becoming subject to taxation in any of those countries.

The Comptroller of Income Tax in Jersey has confirmed that the Company's liability to Jersey taxation is limited to corporation tax, which is at present £500 per annum.

Prospective investors are advised to consult their professional advisers on the possible consequences of subscribing, buying, holding, selling, converting or redeeming Shares directly or through nominees under the laws of any jurisdictions to which they are subject.

Shareholders resident outside Jersey are not subject to tax in Jersey in respect of any Shares that they own. There is currently no tax on capital gains, capital transfer, sales, turnover or inheritance and no estate duties in Jersey. No stamp duty is levied in Jersey on the acquisition, transfer or redemption of shares.

The consent of the Jersey Comptroller of Income Tax has also been obtained for persons resident for tax purposes in Jersey to acquire or beneficially hold Shares. The attention of Jersey residents is drawn to the provisions of Article 134A of the Income Tax (Jersey) Law 1961 which may render a resident liable to income tax on undistributed income and profits of the Company.

Clearance has been obtained from the Board of Inland Revenue of the United Kingdom under Section 464 of the Income and Corporation Taxes Act 1970 (the "Act") that the provisions of Section 460 of the Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue or redemption of Shares or transfer of Shares (other than transfers to companies in which the vendor has a substantial interest) of any class or to the conversion of Shares from one class to another.

For United Kingdom tax purposes the proceeds on redemption of Shares will not, except as mentioned below, constitute income unless the recipient is regarded as dealing in securities. Holders of Shares who are resident or ordinarily resident in the United Kingdom, or carrying on trade in the United Kingdom through a branch or agency, may, depending on their individual circumstances, be liable to Capital Gains Tax or Corporation Tax in respect of gains arising from the disposal or redemption of Shares. Conversion of Shares (other than those evidenced by BDRs) by such persons should not rank as a disposal for the purposes of United Kingdom taxation on capital gains.

The attention of individuals ordinarily resident in the United Kingdom is drawn to Section 478 of the Act and to Section 45 of the Finance Act 1981 under which they could be assessed to tax on the undistributed income and profit of the Company attributable to their investment.

The foregoing is based on law and practice currently in force and is subject to changes therein.

Financial Information
The Company's financial year will end on 31st March in each year, the first such financial period ending on 31st March, 1984. The Company's statutory accounts will include a consolidated revenue account and balance sheet expressed in US Dollars and will be presented at the Annual General Meeting which will be held in Jersey. Revenue accounts and balance sheets will also be produced for each Currency Fund in the currency in which that Currency Fund is designated. The accounts will be issued to shareholders annually. An unaudited report on the Company's results for the first six months of each financial year will be forwarded to shareholders for information.

GENERAL INFORMATION

[illegible]

(ii) save as set out herein, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or proposed issue or sale of any capital of the Company.
(j) No capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
(k) There is no property purchased or acquired by the Company, or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of this issue, or the purchase or acquisition of which has not been completed at the date of issue of this Prospectus.
(l) Sir Ronald Leach GBE, LLD, FCA as a Director of the Custodian, which is a party to the Custodian Agreement (see Paragraph (5)) and which will receive a fee for its services thereunder. Sir Ronald Leach, Mr P. W. Weller and Mr J. ...

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Dated 2nd September, 1983

STANDARD CHARTERED OFFSHORE MONEY MARKET FUND LIMITED

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APPOINTMENTS

Group treasurer for Royal Dutch Shell

Mr D. R. Welham, to be group treasurer, Royal Dutch/Shell Group

Mr D. R. Welham, at present managing director of The Shell Petroleum Development Company of Nigeria, has been appointed group treasurer of the ROYAL DUTCH/SHELL GROUP of companies from December 5. He succeeds Mr J. H. Macdonald who has resigned to take an outside appointment.

*

Mr Robert Sanderson has been appointed managing director of LOWNDES LAMBERT AVIATION.

*

GEOTHERMAL RESOURCES INTERNATIONAL, INC. has appointed Mr Gordon D. Miller as president and chief executive officer of a newly-formed subsidiary, Geothermal Resources (UK). He is currently managing director of all the group's other UK operations.

*

Mr Philip Harris, general manager of King and Hutchings, Uxbridge, has been appointed general manager of B. LANSDOWN AND SONS, Trowbridge. Both are divisions of Westminster Press. Mr Harris takes up his appointment on September 24, in succession to Mr William Gibson who has been accepted for the Sloan Fellowship Programme at the London Business School.

*

Mr W. B. Bowman, group personnel director of United Biscuits UK has been elected chairman of the executive committee of the LONDON ENTERPRISE AGENCY. He succeeds Mr S. J. Gallacher, director of Shell UK, who becomes vice chairman.

*

Mr John Sewell has been appointed to the board of the FLATTEAU ADVERTISING PARTNERSHIP. He is divisional director of the agency's subsidiary, Flatteau Communications.

*

CITICORP DEVELOPMENT CAPITAL, venture capital arm of Citicorp in the UK, has appointed Mr Jon Moulton, director, as general manager.

*

Mr Fred Stadler has been appointed regional director UK by HOLIDAY INN. He will be responsible for the eight company-owned and managed UK Inns and will be based at Brentford. He was food and beverage director—Germany for Holiday Inns (Germany) Inc. Mr Richard Cuddington has been appointed to the newly-created position of director of sales for Europe and the Middle East by Holiday Inn International. Prior to joining Holiday Inn, he worked for Rank Hotels.

*

Mr Terry R. Mills has been appointed general manager of SAUDI INTERNATIONAL BANK. He was vice-president and general manager of the Seoul office of Morgan Guaranty. He replaces Mr Barrett R. Petty who has returned to Morgan Guaranty in New York as head of its Mid-West banking division after three and a half years with Saudi International Bank.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Bexmore, Atlantic Tower Hotel, Chapel Street, Liverpool, 12.00
S. and U. Stores, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 3.00

BOARD MEETINGS—
Finals:
Doa Brothers Bulst
Heath (Samuel)
Intereurope Technology Services
News Intnl.
Palmerston Inv Tst
Interims:
Brown Boveri Kent
EIS
Macfarlane (Clansman)
Nationwide Leisure
Pentland Inds

DIVIDEND & INTEREST PAYMENTS—
Assoc. British Foods 3.2p
Celestion Inds. 1p
Eurotherm Intnl. 1p
Lloyd (F. H.) 1p
Moorgate Inv. Tst. 6.05p
Rexnord Inc. 10cts
River Plate and Gen. Inv. Tst. 1.4p
Shaw Carpets 1.5p
Vosper 2p

TOMORROW

COMPANY MEETINGS—
Allnatt London Props., Institute of Directors, 116, Pall Mall, SW, 12.00
Assoc. Tooling Inds., Institute of Directors, 116, Pall Mall, SW, 12.00
McLeod Russell, Victoria House, Vernon Place, WC, 12.00

BOARD MEETINGS—
Finals:
Cantors
Datastream
Harvey and Thompson
Land Investors
Ricardo Consulting Engineers
Interims:
Beattie (James)
Brammer
Exco Intnl
IMI
Kode Intnl
Mobes
Nichols (J. N.) (Vimto)
Nurdin and Peacock
Pentos
Provident Financial
Reckitt and Colman
Robinson Brothers (Ryders Green)
Sharpe and Fisher
Stewart Wrightson
Wadkin
Wilson (Connolly)

DIVIDEND & INTEREST PAYMENTS—
Ault and Wiborg 8½pcDb 1988-93 4¼pc
Blue Circle Inds. 9pcDb 1992-97 4½pc
British-American Tobacco 7pcLn 1982-87 3½pc
Croda Organic Chemicals 7½pcLn 1987-92 3¾pc
Dares Estates 8pcLn 1992-97 4pc
Drake and Scull 1.25p
Ford Intnl. Capital Cpn. 6pcLn 1951-87 3pc
General Foods Cpn. 60cts
IMI 7¼pcLn 1986-91 3⅝pc
Joseph (Leopold) 8½pcLn 1997-2002 4¼pc
Leumi Intnl. Invs. Gtd. Fltg. Rate Notes B 1987 10¼pc
Merrill Lynch Overseas Capital N-V Gtd. Fltg. Rate Notes 1984 $257.29
Meyer Intnl. 2.25p
Olympia 7¼pcDb 1987-92 3⅝pc
Peterborough Motors 8½pcDb 1987-92 4¼pc
Prestige Group 3p
Sears Engineering 8½pcDb 1987-92 4¼pc
Waddington (John) 10½pcDb 1990-95 5¼pc
Watney Mann and Truman 7¼pcLn 1994-1999 3⅝pc. Do. 8pcLn 1990-95 4pc
Whitbread 9¼pcDb 1991-96 4⅝pc
Yorkshire Chemicals 10pcDb 1991-96 5pc

WEDNESDAY SEPTEMBER 7

COMPANY MEETINGS—
Astra Ind. Group, Midland Hotel, New Street, Birmingham, 4.00
Morland Securities, York House, 38, Great Charles Street, Queensway, Birmingham, 12.00
Parkdale Hldgs., Quebec House, 9, Quebec Street, Leeds, 12.00
Rothmans Intnl., Dorchester Hotel, Park Lane, W, 12.30
Watson (R. Kelvin), Alma Lodge Hotel, Buxton Road, Stockport, Cheshire, 12.00

BOARD MEETINGS—
Finals:
Bracken Mines
Framlington
Kinross Mines
Leslie Gold Mines
Unisel Gold Mines
Winkelhaak Mines
Zetters
Interims:
BICC
Bridon
Britain Vending Inds
Camrex-Roadstone
Croda Intnl
Jebsens Drilling
Newbold and Burton
Peninsular and Oriental Steam Navigation
Phoenix Assurance
Royal Worcester
Sun Alliance and London Insurance

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Cpn. 13½pcBds (7/9/84) 6¾pc
Alcan Aluminium 22.5cts
Allnatt London Props. 5.2p
BLMC 6pcLn 1998-2003 3pc. Do. 7½pcLn 1987-92 3¾pc. Do. 8pcLn 1998-2003 4pc
Barclays Bank Intnl. 7½pcCapLn 1986-91 3¾pc
Bournemouth (Borough of) Var. Rate Red. 1983 £6.00
Damon Con. 5cts
Drayton Premier Inv. Tst. 3p
Dunlop 7pcDb 1988-93 3½pc
Fenner (J. H.) 2p
Highams 7pcDb 1986-91 3½pc
Morland Securities 2p
Multibanco Comermex SA Fltg. Rate Sub Notes 1992 $257.99
Hedibra Finance BV Gtd. Fltg. Rate Notes 1988 $250.78
Sainsbury (J.) 7¼pcUnsMtDb 1987-92 3⅝pc
TR Pacific Basin Inv. Tst. 4½pcPf 1.575p
Watson (R. Kelvin) 2.7p

THURSDAY SEPTEMBER 8

COMPANY MEETINGS—
Aitken Hume, Armoury House, City Road, EC, 12.00
Birmingham Mint, Birmingham Chamber of Industry and Commerce, 75, Harborne Road, Birmingham, 12.00
Graham Millar Group, Strassfield Works, Clay Hill, Enfield, Middlesex, 3.00
Braithwaite and Co. Engineers, St. Ermin's Hotel, Caxton Street, SW, 12.00
Brunning Group, Brunning House, 100 Whitechapel Road, E, 12.15
Bulmer (H. P.), Green Dragon Hotel, Broad Street, Hereford, 2.30
Caledonian Assoc. Cinemas, 4, Academy Street, Inverness, 12.00
Firth (G. M.), Post House Hotel, Wakefield, 11.45
N.A.T. Group, Barley Wood, Wrington, Avon, 12.00
Hampton Gold Mining Areas, Management House, Parker Street, WC, 12.00
Howden Group, 029, Scotland Street, Glasgow, 12.00
Marston, Thompson and Evershed, Shobnall Road, Burton-on-Trent, 11.30
Mercantile House, 66, Cannon Street, EC, 12.00
Paterson Jenks, Castle House, 71-75 Desborough Road, High Wycombe, Buckinghamshire, 12.15
Sturla, Grosvenor House Hotel, Park Lane, W, 12.00
Tex Abrasives, Harmes Works, Greenstead Road, Colchester, Essex, 12.00
Transparent Paper, Friendly House, 21-24 Chiswell Street, EC, 10.00
Unigate, Dorchester Hotel, Park Lane, W, 12.00

BOARD MEETINGS—
Finals:
Estates Property Inv
Harmony Gold Mining
Stewart Plastics
Thorpac
Interims:
Appleyard
Bestobell
Britannia Arrow
Bunzl
Collins (William)
Cookson
Delta
Dewhurst Brothers
Friedland Doggart
Gibbs and Dandy
Hepworth Ceramic
Prudential
Sedgwick
Taverner Rutledge
Woodward (H.)

DIVIDEND & INTEREST PAYMENTS—
Braham Millar 0.8p
Caledonian Assoc. Cinemas 7p
Harrisons Malaysian Plants. Berhad 8 Sen
Parkdale Hldgs. 0.8p
Renold 7½pc2ndDb 1992-97 3¾pc
Slakis 0.55p

FRIDAY SEPTEMBER 9

COMPANY MEETINGS—
Bevan (D. F.), Midland Hotel, New Street, Birmingham, 12.15
Brown (J.), 4, The Sanctuary, Westminster, SW, 12.10
Electrocomponents, City Conference Centre, 76, Mark Lane, EC, 12.00
General Electric, Institution of Electrical Engineers, Savoy Place, WC, 12.00
Mitchell Somers, Palmers' Hall, 9, Little Trinity Lane, EC, 12.00
Norton Opax, Queen's Hotel, City Square, Leeds, 12.00
Pilkington Brothers, Prescot Road, St. Helens, 2.30
R.F.D. Group, Baltic Exchange, 14-20, St. Mary Axe, EC, 12.00
Radiant Metal Finishing, 69, Fairfield Road, Bow, E, 10.30
Russell (Alexander), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Thorn EMI, Barbican Centre, Silk Street, EC, 12.00

BOARD MEETINGS—
Finals:
Haynes Publishing
Second Alliance Tst
Interims:
Charterhouse Petroleum
HB Electronic Components
Home Counties Newspapers
Sharna Ware

DIVIDEND & INTEREST PAYMENTS—
AMF Inc. 12.5cts
Barnes Group 15cts
Birmingham Mint 7.5p
Boeing 35cts
Countryside Props. 1.68p
Dart and Kraft Inc. 96cts
Gulf Oil Cpn. 70cts
Marston Thompson and Evershed 1.559p
Northwest Energy 37.5cts
Purolator 29cts
Radiant Metal Finishing 1p
Rights and Issues Inv. Tst. 1p
Russell (Alexander) 1.2p
Rustenburg Platinum 32.5cts
Squibb Cpn. 33.5cts
Standard Chartered Finance BV Gtd. Fltg. Rate Notes 1990 $237.99
Standard Fireworks 6.75p
Strong Riley Drummond 1.5p
Sun Co. 57.5cts
Texaco Inc. 05cts
Warner-Lambert 35cts

SATURDAY SEPTEMBER 10

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 9½pcDb 1980-85 4¾pc. Do. 7½pcDb 1981-84 3¾pc. Do. 6¾pcDb 1985-90 3⅜pc
General Motors Cpn. 60cts. Do. Bdrs. 3cts
Grace (W. R.) 70cts
Travelers Cpn. 45cts
Treasury 5½pc 2008-12 2¾pc
Utd. Technologies Cpn. 05cts

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hambros Bank	9½%
Al Baraka International	9½%	Heritable & Gen. Trust	9½%
Allied Irish Bank	9½%	■ Hill Samuel §	9½%
Amro Bank	9½%	C. Hoare & Co. †	9½%
Henry Ansbacher	9½%	Hongkong & Shanghai	9½%
Arbuthnot Latham	9½%	Kingsnorth Trust Ltd.	11 %
Armco Trust Ltd.	9½%	Knowsley & Co. Ltd.	10 %
Associates Cap. Corp.	9½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	9½%
Bank Hapoalim BM	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Midland Bank	9½%
Bank of Ireland	9½%	■ Morgan Grenfell	9½%
Bank Leumi (UK) plc	9½%	National Bk. of Kuwait	9½%
Bank of Cyprus	9½%	National Girobank	9½%
Bank of Scotland Ω	9½%	National Westminster	9½%
Banque Belge Ltd.	9½%	Norwich Gen. Tst.	9½%
Banque du Rhone	10½%	P. S. Refson & Co.	9½%
Barclays Bank	9½%	Roxburghe Guarantee	10 %
Beneficial Trust Ltd.	10½%	Royal Trust Co. Canada	9½%
Bremar Holdings Ltd.	10½%	Standard Chartered ‖	9½%
Brit. Bank of Mid. East	9½%	Trade Dev. Bank	9½%
■ Brown Shipley	10 %	TCB	9½%
CL Bank Nederland	9½%	Trustee Savings Bank	9½%
Canada Perm't Trust	10½%	United Bank of Kuwait	9½%
Castle Court Trust Ltd.	10½%	United Mizrahi Bank	9½%
Cayzer Ltd.	9½%	Volkskas Intnl. Ltd.	9½%
Cedar Holdings	10 %	Westpac Banking Corp.	9½%
■ Charterhouse Japhet	9½%	Whiteaway Laidlaw	10 %
Choulartons	10½%	Williams & Glyn's	9½%
Citibank Savings ¶	10½%	Wintrust Secs. Ltd.	9½%
Clydesdale Bank	9½%	Yorkshire Bank	9½%
C. E. Coates	10 %		
Comm. Bk. of N. East	9½%		
Consolidated Credits	9½%		
Co-operative Bank *	9½%		
The Cyprus Popular Bk.	9½%		
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%, 1-month 6.25%. Short-term £8,000/12-months 8.8%.
† 7-day deposits on sums of: under £10,000 6%, £10,000 up to £50,000 7%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6%.
‖ 21-day deposits over £7,000 7%.
§ Demand deposits 6%.
¶ Mortgage base rate.
Ω Money Market Cheque Account= 8.15%. Effective annual rate= 9.54%.

Engineering plant cuts 56 jobs

FIFTY-SIX production workers are being made redundant at the Newage engineering factory at Stamford, Lincs, because of reduced orders. A number of office staff will also lose their jobs. The company, which specialises in generators, has a workforce of 600.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Autumn Gifts Fair (01-855 9201) (until Sept. 7) — Olympia

Current
Builder's merchants exhibition—BEMEX (01-680 4200) (until Sept. 8) — Wembley Conference Centre

Sept. 6-9
International Carpet Fair (021 705 6707) — Harrogate Exhibition Centre

Sept. 6-9
Offshore Europe Exhibition and Conference (01-549 5831) — Bridge of Don Showground, Aberdeen

Sept. 11-14
Cable and Satellite TV Exhibition and Conference—CAST (01-487 4397) — N.E.C., Birmingham

Sept. 11-14
International Menswear—MAB (0727 63213) — Earls Court

Sept. 12-16
International Welding, Cutting and Metal Fabrication Exhibition—WELDEX (021 705 6707) — N.E.C., Birmingham

Sept. 13-24
Chelsea Antiques Fair (0727 56069) — Chelsea Old Town Hall

Sept. 17-25
Great Home Entertainment Show (01-486 1951) — Olympia

Sept. 25-30
International Motor Accessory and Garage Equipment Exhibition—AUTOQUIP/GARAGEQUIP (01 235 7000) — Earls Court

OVERSEAS TRADE FAIRS

Current
International Autumn Fair (01-493 3111) (until Sept. 10) — Leipzig

Sept 8-10
International Confectionery, Chocolate and Biscuit Trade Exhibition—INTERSUC (01-439 3964) — Paris

Sept. 10-18
International Autumn Trade Fair (01-891 2606) — Vienna

Sept 14-21
International Engineering Fair (021-455 9600) — Brno

Sept. 15-25
International Motor Show (01-734 0543) — Frankfurt

Sept. 19-22
International Hotel and Catering Equipment Exhibition—IGAFA (01-486 1951) — Munich

Sept. 26-30
S.E. Asian Production Machinery and Industrial Development Show—MACHINE ASIA (01-486 1951) — Singapore

Sept. 27-Oct. 1
International Chemical Plant and Engineering Exhibition—INCHEM (01-221 2043) — Tokyo

Sept. 29-Oct. 5
International Motor and Motorcycle Show (01-439 3964) — Paris

Sept. 30-Oct. 4
Toy and Gift Autumn Show (01-839 5901) — Taipei

Oct. 2-6
Middle East Construction and Municipal Services Exhibition (01-935 8200) — Kuwait

Oct. 2-5
Fashion week (01-486 1951) — Munich

BUSINESS AND MANAGEMENT CONFERENCES

Sept. 7-8
FT Conference: Asian energy (01-621 1355) — Singapore

Sept. 12-14
Risk Research Group: Captive insurance companies—establishment, operation and management (01-236 2175) — Tower Hotel, London

Sept. 14-16
Industrial Relations Services: Employee communications—how to get your message across and achieve success (01-226 4751) — College of Marketing, Cookham, Berks.

Sept. 14-16
Frost and Sullivan: Office automation and integrated information processing support systems (01-486 0334) — Hilton Hotel, Amsterdam

Sept. 15-16
INSIC: International seminar on micro-computers and banks (Luxembourg 209 31) — Luxembourg

Sept. 18-23
The Institute of Cost and Management Accountants: The design and development of management information systems (01637 2311) — Cawthorpe House, Bourne, near Peterborough

Sept. 19-20
Business Research International: The international loan markets 1983 (01-637 4383) — Cafe Royal, W1

Sept. 19-21
British Institute of Non-destructive Testing annual conference (0604 30124) — Keele University

Sept 20-22
Reinsurance Management Institute: Fundamentals of reinsurance (U.S. 214-721 5360) — University of Dallas

Sept 20
Oyez IBC: The art of negotiating for company executives and professional advisers (01-236 4080) — Portman Hotel, W1

Sept 22
Institute of Purchasing and Supply: The use of computers to aid purchasing and materials management (0780 56777) — Cumberland Hotel, W1

Sept 26-29
ETMC: European truck maintenance conference (01-572 7313) — Sheraton Hotel, Brussels

Sept 27
Oyez IBC: The weaponry of civil procedure (01-236 4080) — Cavendish Conference Centre, W1

Sept. 28-29
FT Conference: World financial futures (01-621 1355) — Royal Lancaster Hotel, W2

Sept. 29
Macfarlane Conferences: TV and radio—opportunities in corporate and financial advertising under the new IBA code—and the implications for Press advertising (01-637 7438) — London Press Centre, EC4

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Closing prices September 2

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 25

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices September 2

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	6¾	AAV	32	2.2	18	15	14⅛	14⅛	14½	−⅛
4⅛	2⅝	AIC Ph				1	3½	3½	3½	−⅛
6⅝	1½	ATI				25	3½	3¼	3⅜	+⅛
12⅞	2	AcmePr			10	11	7½	7⅜	7⅜	−⅛
19½	10¼	AcmU	s .32	1.9	19	29	16⅝	16½	16⅝	−⅛
14⅛	1⅞	Acton	s		−9	280	11½	10⅜	11½	−⅛
12	5⅜	Actonn	11	12	39	47	8⅞	8	8¾	+⅛
6½	1⅛	Adth	wt			2	4⅛	4⅛	4⅛	−⅛
8	1⅛	AdmRs				1	5⅞	5¾	5⅞	+⅛
30⅝	12⅞	AdRusl	s .10	.4	18	23	25½	25⅜	25½	+¼
28⅝	14¾	Adobe	.20	.8	17	38	25¾	25	25⅝	+⅛
6¼	2	AegisCp			13	51	3⅞	3⅝	3⅝	−⅛
24⅝	10½	Aeflx	s		19	35	19¼	18⅞	19⅛	+¼
7	3½	Aeronca			8	81	4¼	4½	4¼	+⅛
32½	9⅞	AffHsp	.36	1.3	12	2	28¾	28½	28¾	
17½	3⅜	AirStx			11	44	13¼	12¾	13	+¼
13¾	5⅞	AirExp				206	7	6⅞	6⅞	+⅛
6⅞	4⅝	Alamc	n		13	37	5¾	5⅝	5⅝	
23⅞	3⅝	AlbaW	.15e	.9	14	3	16⅞	16⅞	16⅞	−⅛
12¼	7⅞	AlmySt		1.7		1	11⅞	11⅞	11⅞	+¼
10½	5¼	AlphaA				8	7¼	7⅛	7½	+¼
28⅛	13¼	Alphal	s .05	.3	28	145	19⅜	18¾	18¾	+¼
1⅞	⅛	Altec				7	1¼	1¼	1¼	−⅛
2⅞	1⅞	Altex				35	2⅛	2	2	
37	28¼	Alcoa	pf3.75	11		z150	34	34	34	−1
32½	7⅞	AlzaCp				4629	21¾	18⅝	21⅛	−3¼
29⅝	11¼	Amdhl	n .20	1.1	51	1263	18½	18	18¼	+⅛
35⅞	5⅝	Amedc	s .08	.4	24	14	19	18⅝	18⅝	−¼
7¼	3½	ABM	n .15	2.4	35	13	5⅞	6¼	6¼	
5	1⅛	AmCap				1	3⅞	3⅞	6⅞	
44⅞	12	AExp	wt			71	31⅞	31	31⅞	−¼
15½	7½	Alsrael			3	8	9⅝	9⅝	9⅝	

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

X-Y-Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅞	11⅛	Wynns	.60	3.3	44	52	18½	17⅞	18	−⅛
60	30⅞	Xerox	3	6.7	11	1229	45¼	44⅝	44⅝	−½
53⅝	49⅞	Xerox	pf5.45	11		86	49⅞	d49⅛	49¼	−¼
28¾	14⅞	XTRA		2.4	24	354	u28½	26	26⅝	+⅛
31½	19¼	ZaleCp	1.28	4.2	28	37	30¾	30¼	30¼	−½
21⅞	13⅞	Zapata	.84	4.0	6	322	21	20⅞	20⅞	
52¼	20⅞	Zayre	s .30	.7	15	1497	43¾	43½	43¾	
33⅝	10½	ZenithR			132	1126	u33½	32⅝	33	+⅞
38⅞	17⅞	Zero	s .40	1.5	20	57	32½	32¼	32⅜	+⅛
37⅞	21⅛	Zurnin	1.32	5.3	8	441	25	24¼	24⅞	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

WORLD INDICES

	Sept. 9	Sept. 1	Aug. 31	Aug. 30	1983 High	1983 Low
AUSTRALIA						
All Ord. (1/1/80)	714.8	708.8	701.2	693.2	714.9 (2/9)	487.8 (4/1)
Metals & Mins. (1/1/80)	604.7	601.7	599.8	594.9	618.5 (24/8)	411.8 (4/1)
AUSTRIA						
Credit Aktien (2/1/62)	55.21	55.18	55.12	55.15	59.8 (6/5)	48.48 (15/2)
BELGIUM						
Belgian SE (31/12/63)	132.49	132.30	132.41	132.53	134.43 (1/2)	100.50 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	188.81	187.45	189.31	122.42	187.43 (1/9)	100.00 (3/1)
FRANCE						
CAC General (31/12/82)	153.1	154.5	154.7	155.9	157.7 (26/8)	96.1 (5/1)
Ind Tendance (31/12/82)	141.8	142.3	142.7	145.7	145.3 (24/8)	98.8 (3/1)
GERMANY						
FAZ-Aktien (31/12/58)	312.12	312.97	309.29	309.47	351.85 (7/7)	241.88 (25/1)
Commerzbank (Dec 1953)	823.6	826.8	814.1	814.3	966.3 (7/7)	727.3 (25/1)
HONG KONG						
Hang Seng Bank (31/7/64)	950.54	955.24	955.94	971.08	1102.54 (21/7)	781.61 (4/1)
ITALY						
Banca Comm Ital. (1972)	202.27	202.98	202.55	201.91	214.93 (21/3)	160.45 (18/1)
JAPAN**						
Dow Average (16/5/49)	9188.11	9228.36	9183.44	9150.92	9228.35 (1/9)	7803.18 (25/1)
Tokyo New SE (4/1/68)	679.31	680.72	672.55	677.9	682.45 (22/8)	574.51 (25/1)
NETHERLANDS						
ANP-CBS General (1970)	138.4	138.8	138.4	138.1	143.4 (22/8)	100.1 (4/1)
ANP-CBS Indust (1970)	111.8	111.2	111.3	112.9	116.5 (22/8)	83.5 (4/1)
NORWAY						
Oslo SE (4/1/83)	207.1	207.79	205.19	203.73	214.45 (18/8)	93.01 (4/1)
SINGAPORE						
Straights Times (1966)	979.48	926.29	969.39	988.12	992.82 (25/8)	712.29 (5/1)
SOUTH AFRICA						
Gold (1958)	—	947.8	943.3	955.1	1089.3 (1/2)	694.3 (28.8)
Industrial (1958)	—	933.8	882.4	928.2	968.7 (28/6)	740.5 (3/1)
SPAIN						
Madrid SE (31/12/82)	113.07	113.07	113.5	114.38	120.62 (13/7)	98.32 (11/1)
SWEDEN						
Jacobson & P. (1/1/58)	1527.13	1512.17	1493.82	1487.84	1527.15 (2/9)	896.18 (5/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	355.3	336.8	352.8	351.1	347.0 (4/8)	294.4 (4/1)
WORLD						
Capital Intl. (1/1/70)	—	177.7	177.3	176.6	182.7 (22/8)	154.3 (3/1)

(**) Saturday Aug 20: Japan Dow 9137.13. TSE 679.15.
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Cigna Corp.	1,141,300	42¼	+⅛	Halliburton	823,100	45	+1
Diam. Sham.	876,400	23¼	-⅛	Raytheon	816,600	49¾	+1½
ATT	814,800	66	-½	Exxon	811,600	37¾	-¾
Chrysler	717,700	29¼	+1	Bankamerica	809,100	20¾	-¾
Ford Motor	636,700	60¼	-1¼	Citicorp	586,700	35¾	-¾

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

CANADA

ITALY

NETHERLANDS

NORWAY

AUSTRALIA

FRANCE

GERMANY

SINGAPORE

SWEDEN

SWITZERLAND

HONG KONG

JAPAN

SOUTH AFRICA

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

UK COMPANY NEWS

Midway upsurge at George Armitage

Recovery at George Armitage and Sons, the privately-owned brick maker, is gathering momentum. In the first half of 1983 profit has surged from £35,000 to £550,000, and the directors are looking for a continuance of these healthier trading conditions during the second half.

Turnover moved up from £4.78m to £5.98m and trading profit from £213,000 to £872,000. This "more acceptable" level of profitability reflects increased selling prices and continued strong demand for engineering and facing bricks, says the chairman Mr Geoffrey Armitage.

At the Accrington works demand for the quality acid-resisting products still remains low. The various options for modernisation there continue to be investigated.

Deducting tax £193,000 (£18,000), preference dividends £33,000 (same), and crediting extraordinary items £33,000 (£11,000), leaves £357,000 (loss of £5,000) attributable to the ordinary; this is equal to 21.1p (loss 1p) per share.

The interim dividend is being doubled to 5p, absorbing £77,000. The 1982 total was 7.5p paid from pre-tax profits of £381,000.

Tace shareholders approve sale of Goring Kerr stake

BY ALISON HOGAN

SHAREHOLDERS OF Tace, the electronics and engineering company, approved the sale of 1.65m shares in its 90 per cent owned subsidiary Goring Kerr at an extraordinary general meeting on Friday.

The shares will be part of an offer for sale by tender which will reduce Tace's present shareholding from 90 per cent to 62.5 per cent. Mr Bruce Goring Kerr president and technical director of Goring Kerr, proposes to sell 150,000 of his shares in the company at the same time, reducing his holding from 10 per cent to 7.5 per cent.

The offer for sale will raise £3m net of expenses for Tace at the minimum tender price of 200p per share. Sheppard and Chase have sponsored the issue *which has been underwritten.* Application has been made for the whole of the issued share capital of Goring Kerr to be admitted to the Stock Exchange official list and dealings are expected to begin on September 15.

Goring Kerr is a market leader in the design, manufacture and distribution of industrial metal detection equipment. It became a member of the Tace group in 1968 and acquired its North American agency in 1981.

It has expanded steadily over the *last five years except* for a profits dip in 1979 to £135,000 from £225,000 in 1978. A high rate of inflation in the UK was said to have effected margins. Goring Kerr decided to expand overseas to increase total sales. Since then growth has accelerated with profits in the year to *September 30* reaching £952,000.

The directors forecast that pre-tax profits in 1983 should amount to not less than £1.3m. They expect to be able to recommend a final dividend in respect of the year of 3p net. They estimate that if the company had been listed for a full year a total dividend of 5p net would have been recommended.

Tace says that a separate listing for Goring Kerr is a logical step *in its development which* will enhance its status and give it further flexibility to expand its business. In particular the listing will allow it to issue marketable securities when opportunities for acquisitons arise, though no acquisitions are under consideration at present.

At the minimum tender price of 200p a share, Goring Kerr will have a market capitalisation of £12m and sell, on the company's *estimates,* on a p/e of 19, a *gross* dividend yield of 3.57 per cent and with the dividend covered 2.1 times.

The prospectus of the offer for sale will be published today, the subscription lists opens and closes on September 8, and dealings will begin on September 15.

● comment

Tace has made a shrewd move in floating off a slice of its Goring Kerr subsidiary. At the minimum tender price of 200p, Tace would raise a net £3m—just enough to wipe out its borrowings. A premium seems likely, even though the minimum tender price represents a p/e of 19 on forecast earnings. Bids of 220p *might be necessary. GK has a* well tested product with metal detection systems operating in environments as varied as the hospital operating theatre and the biscuit factory. The directors say it has just "scratched the surface" with overseas markets, which are mainly in the U.S., France and Germany.

RIT and Northern plans U.S. expansion

THE INVESTMENT company RIT and Northern will seek approval *from its shareholders* to double its stake to 50 per cent in the New York investment bank L. F. Rothschild, Unterberg, Towbin, at an EGM on September 18 1983. It will form RIT's largest single investment.

RIT directors have written to shareholders urging them to approve the conversion, through a wholly owned subsidiary, of a $5m limited partnership interest and $25m subordinated loan note into a general *partnership* interest in L. F. Rothschild with effect from October 1 1983.

RIT holds a 25 per cent stake in L. R. Rothschild since exercising a right to subscribe some $33.5m on August 1 1983.

L. F. Rothschild provides corporate financial services and is a leading underwriter of new issues in the U.S. It is enjoying a record year and, although its profitability is closely linked to the level of activity in the U.S. financial markets, RIT directors expect such activity to continue at "good levels."

Unaudited figures from L. F. Rothschild for the year to June 30 show total current assets of £1.05m and total current liabilities of £950,000. In the year to September 30 1982 not strictly comparable because of a change *in partnership structure, current* assets were £683,828 and current liabilities £614,392.

R. & H. Hall halftime rise —interim up

A good first half has been experienced by Cork-based grain merchant R. & H. Hall, with profits up from IR£865,000 to IR£1.21m. The interim dividend is stepped up from 0.75p to 1p *net per share,* but this does not necessarily indicate a total above last year's 3.36p.

Mr G. H. Macilwraith, chairman, says the company is continuing to trade satisfactorily. Indications are that it will produce a "reasenable level" of trading profit in the second half, but this is dependent on a number of factors, including the volume of trade in the autumn period.

After tax £374,000 (£221,000) and minorities this time of £6,000, the net profit rose from £644,000 to £826,000, for earnings of 5p (3.9p) per share.

MFI expansion programme well advanced says chief

Another satisfactory year is expected for MFI Furniture Group—the UK's largest household furniture retailer—says Mr Arthur Southon, chairman, in his annual statement.

With regard to the present year, he says: "Current trading is running at a satisfactory level and I anticipate another satisfactory year."

For the 12 months to May 28, 1983 pre-tax profits advanced by over 112 per cent to £30.4m from turnover some £70m higher at £246.3m.

Plans for future development, says Mr Southon, are well advanced for six new branches in new areas, and a number of relocations and extensions.

He adds that the programme for the current year includes sites where space will be let to other retailers as tenants, together with a retail complex at Colindale in North West London. The group's head office will be relocated from Wembley to this site on completion in the middle of 1984.

At the year-end the group was trading from 121 branches with a total area of 3m sq ft against 2.8m sq ft for the previous year.

Ex-Lands falls mid-term

First half results at the Ex-Lands investment company show a reduced profit on ordinary activities because the investment portfolio was reorganised during 1982, and there has been an initial reduction in dividend income received. This was anticipated in the chairman's review sent to shareholders in May.

Profit on ordinary activities before tax was down from £8,598 to £3,204, in the six months to June 30 1983. Dividends received amounted to £21,930 compared with £27,977, interest on deposits was £714 (£243) and interest paid was considerably lower at £76 (£753).

There was a surplus on the disposal of listed investments totalling £25,028 (£17,452), and after tax of £6,080 compared with £7,935, there was a net profit of £22,152 against £18,115. Stated earnings per 10p share improved from 0.46p to 0.5p, and net asset value per share was up from 13.95p to 18.02p (excluding Nigerian assets).

The directors say the bulk of the surplus realised on disposal of listed investments has come from three sales where the low yield was not, in their view, compensated for by exceptional capital growth prospects.

GB Papers expects good first half

First-half figures of GB Papers would be good and ahead of expectations, Mr Roger Fleming, the chairman, told the annual meeting.

A forecast for the second six months was, however, difficult, he added, and shareholders were warned against over-optimistic expectations based on the previous pattern of a much more profitable second half.

There was still surplus capacity in the industry and although up until now Guardbridge had been able to maintain a full order book, there were signs that business might be becoming less plentiful and competition, particularly from European mills, more intense.

Mr Fleming concluded that measures taken some time ago were continuing to show through and he was more hopeful of the group's future performance than for several years.

Mary Kathleen

Directors of Mary Kathleen Uranium are recommending a return of capital of 20 cents per 25 cents share.

The return is subject to approval by special resolution of shareholders at a general meeting to be held on September 26 and to confirmation by the Supreme Court of Queensland, it is stated.

FT Share Information

The following securities have been added to the Share Information Service:

Anglo-African Finance (Industrials):

Mezzanin Cap Part Red Pf (Finance, Land).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brown Boveri Kent, EIS, Macfarlane (Clansman), Nationwide Leisure, Pentland Industries.

Finals: Don Bretham Buist, Samuel Heath, Intereurope Technology Services, News International, Palmerston Investment Trust.

FUTURE DATES

Interims—
Associated Leisure ... Sept 13
British Vita ... Sept 13
Canning (W.) ... Sept 13
Collins (Wm.) ... Sept 9
Gibbs and Dandy ... Sept 9
Jersey Electricity ... Oct 3
Oil and Gas Production ... Sept 15
Rosedimond Invest. Trust ... Sept 20
Sedgwick ... Sept 22
Vickam ... Sept 22

Finals—
Fleet Holdings ... Sept 13
Harvey and Thompson ... Sept 8
London Merchant Securities ... Sept 14
Westpool Investment Trust ... Sept 15

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Aaronite Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Biomechanics Int'l 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	DPCE Hldgs 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Dolomite Photo 12½p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Ges (C.) 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Gent (S.R.) 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Gilbert [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
375	F.P.	[illegible]	[illegible]	[illegible]	Henderson Admin.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Int. Signal & Control A$1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Invent Energy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	KLP Group 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
95	F.P.	[illegible]	[illegible]	[illegible]	Metal Sciences 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Park Food 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Peel Hldgs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Pl'ytchnic Int'l [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Promotions H'se 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Rayford Supreme	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Real Time Cntrl 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	SOUSA Inc. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Snh. Bus. Leas. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sunleigh Elect. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Tech. for Bus. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
83	F.P.	[illegible]	[illegible]	[illegible]	Thermal Scientific	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Yorks&Lancs Inv. W's	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied-Lyons 11¼% Deb 2009	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Allied Plant 10% Cnv Uns Ln 85-90	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Atlantis Met'n (UK) 12% UL 91/97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bristol 11¼% Red. 2008	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Brixton Est 11¼% Deb 2018	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	C.C.C. Economic 12¼% Gtd. Ln. 2015	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cigna Overseas Finance 11¼% Ln. 2008	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Ecclesiastical 11¼% Deb 2019	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Evode 8% Cnv Uns Ln 2003-08	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Extel 10½% Cum Pref	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	FKI 7% Red Cnv Pref	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fleming Am. Inv Tst 7% Cnv Uns Ln 1993-98	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fuller, Smith & Turner 8% 2nd Cm. Prf 100p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hewden-Stuart 10% Cnv Uns Ln '95-2001	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	LASMO 9¾% Cum Red Pref	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide 10¼% Bds 8/7/84	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do 10¼% Bds 30/7/84	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do 11¼% Bds [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do 11% Bds [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Oldham 11¼% Red 2010	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Trafford Park Est. 11¼% 2007/11	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Transport Dev 11¾% Uns Ln 2008	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Watn'y Mn&Trum'n 11¼% Red. Deb. 2008	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Weir 10% 2nd Cum Pref	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Westland 12% Deb 2008	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Yorks & Lance Inv 13¼% Deb 2003	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Aboco Invs. 5p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Assoc. British Eng's 12½p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brengreen 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Bryant Hldgs [illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Cap. [illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Chamberlain Phipps 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Crowther (J.)	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Dixons Corp 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Emess Lighting	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	First Charlotte Assets 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	First Talisman Inv. 20p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	First Holdings 20p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Floyd Oil 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Group Lotus Car 10p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	H.A.T. Group 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Imperial Cold Storage 25c	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Midland Bank £1	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Nesco Invs.	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Parkdale 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Sheraton Secs. 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Steinberg 10p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Unitech 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	United Parcels 10p	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Wobber Electro 12½p	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. T Figures assumed. § Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. † Effective issue price after scrip. † Formerly dealt in under special rule.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year	Company	Date	Announcement last year
*Associated Bnr Ports	Sept 15	Interim due	*General Mining	Sept 15	Interim 85c
*BAT Inds	Sept 21	Interim 2.5	Glaxo	[illegible]	[illegible]
*BICC	Sept 7	Interim 3.5	Granton	Oct 9	Interim 1
BTR	Sept 19	Interim 4.75	Habitat Mothercare	Sept 6	Final 2.9
*Bank of Scotland	Sept 20	Interim 10.5	Hall Eng	Sept 23	Interim 3.41
*Barratt Devs	Sept 20	Final 9.85	*Hambro Life	Oct 5	Interim 4.625
Berrow Hepburn	Sept 20	Interim 0.8	Hammerson Property	Oct 15	Interim 3.0
Bejam	Oct 13	Final 1.5	Harris Queensway	Oct 12	Interim 1.67
Bell (A.)	[illegible]	Interim 3.5	*Hepworth Ceramic	Sept 8	Interim 2.25
Bilton (P.)	Sept 27	Final 3.8	*Inchcape	Sept 27	Interim 7.15
Blackwood Hodge	Sept 9	Interim 0.5	*Lond Merchant Securities	Sept 13	Final 0.87
Booker McConnell	Sept 18	Interim 1.5	Marchwiel	Sept 13	Interim 2.7
*Bowater	Sept 13	Interim 4.25	Menzies (J.)	Sept 22	Interim 1.8
Bowthorpe	Oct 5	Interim 1.673	Mills and Allen Intl	Sept 22	Final 16.0
British Aerospace	Sept 21	Interim 3.25	Minet	Oct 7	Interim 2.45
British Electric Traction	Sept 2	Final 6.137	Mowlem (J.)	Oct 7	Interim 2.1
*Brixton Ests	Sept 13	Interim 1.7	NEI	[illegible]	[illegible]
*Burrel	Sept 8	Interim 4.5	*News Intl	Sept 5	Final 3.07
Burmah Oil	Sept 15	[illegible]	*P & O	Sept 7	Interim 4.0
Cape Industs	Oct 5	Interim 1.5	*Phoenix Assurance	Sept 7	Interim 7.3
*Cons Gold Fields	Sept 13	Final 16.0	*RMC	Sept 21	Interim 3.7
Costain	Sept 7	Interim 5.0	*Reckitt and Colman	Sept 9	Interim 4.15
*Croda Intl	Sept 20	Interim 1.0	[illegible]	[illegible]	[illegible]
Currys	Oct 11	[illegible]	[illegible]	[illegible]	[illegible]
*DRG	Sept 28	Interim 3.0	*Shell	Sept 15	[illegible]
Dalgety	Sept 20	Final 11.0	*Sun Alliance	Sept 7	Interim 19.5
Debenhams	Oct 13	Interim 2.041	*Tarmac	Sept 19	Interim 3.2
*Delta	Sept 9	Interim 1.82	*Turner and Newall	Sept 15	Interim 0.25
Dunlop	Sept 23	[illegible]	UEI	[illegible]	Interim 1.8
Eagle Star	Sept 15	Interim 7.0	*Utd Biscuits	Sept 15	Interim 2.25
*European Ferries	Sept 9	Interim 1.0	*Vickers	Sept 22	Interim 4.55
*Exco	Sept 9	Interim 2.5	*Willis Faber	Sept 13	Interim 10.0
*Expamet Int	Sept 14	Interim 2.0			
Finlay (J.)	Oct 7	Interim 2			
[illegible]	[illegible]	[illegible]			
Freemans	Oct 4	Interim 1.9			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

Capitalisation £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
[illegible]	Ass. Brit. Ind. Ord.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Ass. Brit. Ind. CULS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Airsprung Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Armitage & Rhodes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Bardon Hill	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	CCL 11pc Conv. Pref.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Cindico Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Deborah Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Frank Horsell	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Frank Horsell Pr Ord 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Frederick Parker	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	George Blair	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Ind. Precision Castings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Isis Conv. Pref.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Jackson Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	James Burrough	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Robert Jenkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Scruttons "A"	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Torday & Carlisle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Unilock Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Walter Alexander	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	W. S. Yeates	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Licensed Dealer in Securities

FT UNIT TRUST INFORMATION SERVICE

Authorised Units—continued

Offshore and Overseas—continued

Insurances—continued

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Save & Prosper—continued

Overseas Funds & Sector Funds

Tyndall Managers Ltd.

INSURANCES

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF 01-404 0391

Asset Builder*	64.8	68.7		—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Mngr Sept 1	61.3	64.2		—
MM Flexible Sept 1	53.0	55.9		—
Fixed Interest Sept 1	54.7	57.7		—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	289.8	—	-0.4	—
Invest. Tst. Fd. Acc.	305.4	—	-0.3	11.9
Property Fund Cap.	117.2	—	+0.1	—
Property Fund Acc.	123.2	—	+0.1	4.2
Flexible Fund Cap.	179.6	—	+0.4	—
Flexible Fund Acc.	188.7	—	+0.4	4.1
Fixed Int. Fd. Cap.	134.4	—	+0.6	—
Fixed Int. Fd. Acc.	141.4	—	+0.6	—
Gtd. Deposit Fd. Cap.	138.6	—		—
Gtd. Deposit Fd. Acc.	144.7	—		—
Equity Fund Cap.	130.8	—		—
Equity Fund Acc.	137.1	—		—
International Fd. Cap.	137.8	—	-0.6	—
International Fd. Acc.	144.3	—	-0.6	—
Capital Gwth. Fd.	420.5	—	-0.1	—
Moneymaker Fund	765.6	—	+0.3	—
Exempt Inv 7st Cap.	407.8	—	-0.4	—
Exempt Inv 7st Acc.	471.8	—	-0.4	—
Exempt Inv Tst NS	419.7	—	+0.4	8.0
Exempt Prty Cap	188.9	—	+0.2	—
Exempt Prty Acc	195.5	—	+0.2	—
Exempt Prty NS	194.4	—	+0.2	3.7

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	287.8	+7.1	—
Property Fund (A)	280.0	+1.0	—
Agricultural Fund	1,106.0	+10.2	—
Agric. Fund (A)	1,077.2	+9.8	—
Abbey Nat. Fund	228.4	+0.9	—
Abbey Nat. Fd. (A)	227.5	+0.9	—
Investment Fund	137.2		—
Investment Fund (A)	134.4		—
Equity Fund	413.6	-2.8	—
Equity Fund (A)	406.0	-2.8	—
Money Fund	214.3	+0.3	—
Money Fund (A)	210.4	+0.3	—
Actuarial Fund	221.1	+1.9	—
Gilt-edged Fund	184.5		—
Gilt-Edged Fd. (A)	184.5		—
Retire Annuity	352.0	+1.9	—
Immed. Ann'ty	193.0		—
International Fd.	268.6	+0.8	—
Bldg. Soc. Life Fd.	103.8	+0.7	—

Property Gth Pens & Annuities Ltd

All Wther Ac. Uts.	254.0	267.3	+6.4	—
Inv. Fd. Uts.		294.3		—
Pension Fd. Uts.		250.4	+1.7	—
Conv. Pens. Fd.		288.1	+3.2	—
Cnv. Pns. Cap. Ut.		216.4	+1.7	—
Man. Pens. Fd.		328.8		—
Man. Pens. Cap. Ut.	256.9			—
Prop. Pens. Fd.		279.5	+2.5	—
Prop. Pens. Cap. Uts.		232.6	+1.2	—
Bldg. Soc. Pen. Ut.		251.7	+2.5	—
Bldg. Soc. Cap. Ut.		193.8	+1.9	—
Gilts Pens. Fd.		161.1	+0.3	—
Gilts Pens. Fd. Cap.		141.5	+0.2	—
Equity Pens. Fd.		252.4	-1.9	—
Equity Pens. Fd. Cap.		222.8	-1.7	—

Providence Capitol Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

Standard Life Assurance Company
3 George St., Edinburgh

Sun Alliance Insurance Group
Sun Alliance House, Horsham

Sun Life of Canada (UK) Ltd.
2, 3, 4, Cockspur St., SW1Y 5BH

OFFSHORE AND OVERSEAS

NOTES

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 7%

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1J	1D	Aust. 6pc 1981-83	100½	29.4	6.06	9.86
1Ja	1J	N.Z. 7¼pc 1988-92	77½xd	1.6	9.50	11.13
15O	15J	Do. 7½pc '83-86	90½xd	16.5	8.44	11.23
—		S. Rhod 2½pc Non-Ass.	181	—	—	—
10Mar	10Sept	Do. 3½pc 80-85 Assd	82	10.2	4.35	14.80
7F	7A	Do. 4½pc 87-92 Assd	54	7.1	8.36	15.90
15O	15A	Zimbabwe Ann (£100pa)	388	15.3	—	14.75

LOANS

Public Board and Ind.

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ja	1J	Agric. Mt. 5pc '59-89	72½xd	1.6	6.95	11.77
1M	1S	Met. Wtr. 3pc 'B'	33½	1.7	8.95	11.74

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
20J	20D	Inv. in Ind. 14pc 1983	101¼	31.5	13.83	9.45
31M	30N	Do 6¼pc Db '81-84	95½xd	31.5	6.54	18.18
11Ja	11J	Do. 10½pc Uns Ln '86	97½	11.7	10.97	12.70
11Ja	11J	Do. 11pc Uns Ln '88	97	11.7	11.57	12.50
11Ja	11J	Do. 11¼pc Uns Ln '90	100½	11.7	11.94	12.10
14M	14S	Do. 12½pc Un Ln 1992	100½xd	1.8	12.44	12.40
30J	31D	Do. 7¼pc A Deb '89-92	76½	30.6	9.75	11.90
31M	30S	Do. 7¼pc A Deb '91-94	73½xd	31.3	4.86	11.55
31M	30S	Do. 9pc 'A' '91-94	81½xd	31.3	11.08	12.18
31A	28F	Do. 8¾pc Ln. '92-97	81¼	28.2	10.89	11.65

Building Societies

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
23Feb	30Aug	N'wide 11¼pc 30.8.83	100	24.11	—	—
27Mar	30Oct	Do. 11¾pc 3.10.83	100	25.2	11.38	10.56

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ SA1	285	6.6	028c	3.1	5.6	5.7
Feb.	Aug.	Alexanders D. £1	238xd	15.8	20.0	—	12.0	—
May	Aug.	Algemene Fl.100	£81¼xd	23.8	026%	1.8	7.0	7.9
Dec.	June	Allied Irish	140	6.6	049%	4.2	6.8	4.8
	July	Arbuthnot (H.) 50p	85	18.7	3.5	—	3.9	—
July	Jan.	Bk. Ireland £1	247	23.5	024.9	—	7.9	—
May	Nov.	Bank Leumi	1¾	18.5	—	—	—	—
Aug.	Feb.	Bk. Leumi (UK) £1	160xd	15.8	10.15	—	9.1	—
Nov.	May	Bank Scotland £1	498	25.4	24.0	3.6	6.9	4.4
Apr.	Oct.	Barclays £1	470xd	15.8	722.0	3.6	6.7	4.7
Jan.	July	Brown Shipley £1	305xd	15.8	7.75	—	3.6	—
Jan.	July	Cater Allen £1	360	6.6	26.95	—	10.7	—

FT LONDON SHARE INFORMATION SERVICE

BANKS—Continued

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

HIRE PURCHASE, LEASING, etc.

BEERS, WINES & SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—continued

Central African

Australians

Tins

Miscellaneous

NOTES

... rights issue. N Dividend and yield based on prospectus or other official estimates for 1984. N Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	63	......
Bdg'wtr. Est. 50p	270	......
Craig & Rose £1	£30½	......
Finlay Pkg. 5p	35	......
Graig Ship. £1	21	......
Higsons Brew	90	......
Holt (Jos) 25p	910	......
I.O.M. Stm. £1	147	......
Pearce (C. H.)	580	......

IRISH

Nat. 9¾% 84/89	£86½	+⅛
Fin. 13% 97/02	£98½	......
Alliance Gas	90	......
Arnott	210	......
Carroll (P.J.)	110	......
Concrete Prods.	72	......
Helton (Hldgs.)	16	......
Irish Ropes	92	......
Jacob	80	......
T.M.G.	68	......
Unidare	72xd	......

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 14

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Bad conditions for forecasters

BY COLIN MILLHAM

Currency forecasters are not having an easy time at the moment. There has already been a general assumption that the dollar must weaken, but nobody seems able to get the timing right, and may well have further problems in the future.

Sterling has also been expected to lose ground, but remains stubbornly firm against Continental currencies, and has not lost too much ground against the advancing dollar.

U.S. money supply continued to dominate the foreign exchanges last week. There was some disappointment that M1 fell by only $200m, compared with hopes of $500m, at the previous Friday's announcement, leaving the figure still outside the Federal Reserve's revised target range.

September was also regarded as a difficult month from the point of view of the M1 figure, and against this background the dollar threatened to burst through its previous high points against the D-mark and several other currencies.

It did rise above DM 2.70 on Friday, but trading was thin ahead of the long holiday weekend in the U.S., and after some intervention by the Bundesbank finished below its best level. The U.S. currency was also on course to finish the week at the highest level this year against the Japanese yen, but did not keep up the pressure in the afternoon on Friday.

Where this leaves the market is hard to say. The dollar is likely to remain firm, and is not far below the record levels touched in August. Central banks intervened to stem the dollar's advance last month, but the main reason for an easing of the upward pressure was several weeks when M1 showed signs of coming back under control. The Federal Reserve may be more concerned with the wider-ranging M2 and M3 figures, but the market lives in constant fear of the highly volatile M1, and there is little indication that it will draw much comfort during September.

Latest leading economic indicators have shown that U.S. economic recovery is still fragile, and the market may decide to focus more attention on trade balances, in which case the dollar is likely to suffer. But while interest rates remain the dominating factor, there is every chance that the U.S. currency will soon be testing new levels.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	9 month	12 month
Dollar	1.4955	1.4960	1.4975	1.5003	1.5040
D-Mark	4.0325	4.0188	3.9938	3.9581	3.8912
French Franc	12.1150	12.15	12.2850	12.5165	12.8511
Swiss Franc	3.2750	3.28	3.2338	3.1933	3.1104
Japanese Yen	369.25	368.4	366.6	363.4	356.9

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.8240	+2.06	+1.24	±1.5447
Danish Krone	9.14104	9.19529	+0.67	−0.15	±1.6425
German D-Mark	2.24184	2.27882	+1.68	+0.83	±1.0642
French Franc	9.87456	9.86000	−0.21	−1.03	±1.4052
Dutch Guilder	2.52595	2.54782	+0.87	+0.06	±1.4964
Irish Punt	0.72569	0.724592	−0.15	−0.97	±1.6699
Italian Lira	1403.49	1350.34	−3.15	−3.10	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 2	Aug. 26		Sept. 2	Aug. 26
Bills on offer	£100m	£100m	Top accepted rate of discount	9.3456%	9.3456%
Total of applications	£416.54m	£403.42m	Average rate of discount	9.3343%	9.5586%
Total allocated	£100m	100m	Average yield	9.56%	9.50%
Minimum accepted bid	£97.67	£97.67	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	21%	8%			

OTHER CURRENCIES

Sept. 2	£	$		£ Note Rates
Argentina Peso	16.92-16.07	11.31-11.34	Austria	28.25-28.55
Australia Dollar	1.7076-1.7095	1.1410-1.1415	Belgium	81.05-82.05
Brazil Cruzeiro	903.60-1,003.92	668.0-671.0	Denmark	14.50-14.64
Finland Markka	8.5900-8.6170	5.7595-5.7625	France	12.11-12.25
Greek Drachma	139.60-130.00	92.95-93.00	Germany	4.02¼-4.06¼
Hong Kong Dollar	11.348-11.368	7.5925-7.6025	Italy	2390-2420
Iran Rial	151.05*	88.25*	Japan	369-374
Kuwait Dinar (KD)	0.4365-0.4375	0.2921-0.2922	Netherlands	4.48¾-4.53¼
Luxembourg Fr.	81.05-81.15	54.22-54.24	Norway	11.00-11.50
Malaysia Dollar	3.5150-3.5250	2.3550-2.3600	Portugal	182½-206
New Zealand Dlr.	2.5035-2.5085	1.5390-1.6415	Spain	230¼-235¼
Saudi Arab. Riyal	5.1990-5.2075	3.4790-3.4820	Sweden	11.85-11.95
Singapore Dollar	3.2050-3.2150	2.1440-2.1470	Switzerland	3.26-3.29
Sth. African Rand	1.6905-1.6950	1.1305-1.1320	United States	1.48½-1.50½
U.A.E. Dirham	5.4875-5.4950	3.6720-3.6750	Yugoslavia	181-200

* Selling rates.

CURRENCY MOVEMENTS

Sept. 2	Bank of England Index	Morgan Guaranty Change %
Sterling	85.5	−8.8
U.S. dollar	128.5	+17.6
Canadian dollar	92.8	+1.4
Austrian schilling	115.8	+2.0
Belgian franc	90.9	−11.3
Danish kroner	79.3	−5.7
Deutsche mark	125.4	+0.5
Swiss franc	150.7	+12.0
Guilder	115.4	+4.3
French franc	67.7	−14.1
Lira	50.2	−11.0
Yen	146.2	+6.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

SEPT. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.699518	0.564784
U.S. $	8½	1.04592	0.845199
Canadian $	9.54	*	1.04020
Austria Sch	3¾	18.8256	16.0067
Belgian F	9	56.7816	45.8240
Danish Kr.	7½	10.1564	8.10509
D mark	4	2.82241	2.27889
Guilder	4½	3.15850	2.54782
French F.	9½	8.50266	6.86000
Lira	17	1684.63	1559.34
Yen	5½	258.378	208.331
Norwgn Kr.	8	7.84540	6.39709
Spanish Pta	—	159.553	129.846
Swedish Kr	8½	8.28650	6.00670
Swiss Fr.	4	2.28728	1.84790
Greek Dr'ch	20½	97.0175	78.3204

*CS/SDR rate for Sept 1: 1.29181.

THE POUND SPOT AND FORWARD

Sept 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4920-1.4990	1.4950-1.4960	0.02-0.07c dis	−0.36	0.17-0.22dis	−0.52
Canada	1.8400-1.8470	1.8430-1.8440	0.10c pm-par	0.32	0.15-0.05 pm	0.22
Nethlnd.	4.49½-4.52½	4.50-4.51	1¾-1½c pm	3.66	4¼-3¾ pm	3.44
Belgium	80.90-81.40	81.05-81.10	7c pm-3 dis	0.29	7 pm-3 dis	0.10
Denmark	14.48-14.55	14.49½-14.50½	3¼-5ore dis	−3.36	5-7¼ dis	−1.83
Ireland	1.2790-1.2860	1.2805-1.2815	0.21-0.23p dis	−2.06	0.60-0.66dis	−1.95
W. Ger.	4.02-4.05	4.02¾-4.03¾	1½-1¼pf pm	4.08	4¼-3¾ pm	3.84
Portugal	185.75-187.00	186.25-186.75	150-420c dis	−19.34	470-1170dis	−17.59
Spain	227.75-229.00	228.10-228.30	245-325c dis	−14.99	960-1196dis	−18.89
Italy	2,400-2,415	2,402½-2,404½	14-18 lire dis	−7.49	46-49 dis	−7.90
Norway	11.18-11.24	11.20½-11.21½	2½-3½ore dis	−3.34	8½-9½ dis	−3.21
France	12.10-12.18	12.11-12.12	3-4c dis	−3.47	16-18 dis	−5.61
Sweden	11.83-11.97	11.84-11.85	2-2½ore dis	−2.28	5½-6½ dis	−1.88
Japan	368-370	368¾-369¾	0.95-0.75y pm	2.76	2.80-2.60 pm	2.92
Austria	28.15-28.45	28.33-28.38	10½-8½gro pm	4.10	26½-23½ pm	3.52
Switz.	3.26-3.29	3.27-3.28	1¾-1½c pm	5.50	4¾-3¾ pm	5.04

Belgian rate is for convertible francs. Financial franc 81.35-81.45. Six month forward dollar 0.45-0.50c dis, 12-month 0.80-0.90c dis.

THE DOLLAR SPOT AND FORWARD

Sept 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4920-1.4990	1.4950-1.4960	0.02-0.07c dis	−0.36	0.17-0.22dis	−0.52
Ireland†	1.1630-1.1690	1.1670-1.1680	0.32-0.27c pm	3.03	0.84-0.74 pm	2.70
Canada	1.2320-1.2335	1.2325-1.2330	0.09-0.06c pm	0.73	0.25-0.22 pm	0.76
Nethlnd.	3.0100-3.0220	3.0110-3.0130	1.03-0.93c pm	3.88	3.04-2.94 pm	3.96
Belgium	54.20-54.35	54.22-54.24	5-4c pm	0.89	11-8 pm	0.70
Denmark	9.6800-9.7325	9.6825-9.6875	1.60-2.10ore dis	−2.29	0.50 pm-par	0.10
W. Ger.	2.6895-2.7090	2.6945-2.6955	1.01-0.96pf pm	4.38	3.00-2.95 pm	4.42
Portugal	124.30-124.90	124.50-124.60	100-275c dis	−19.04	300-760dis	−10.99
Spain	152.40-152.90	152.50-152.60	180-195c dis	−13.95	600-700dis	−17.03
Italy	1,605-1,613½	1,607-1,608	8½-10 lire dis	−7.29	30-31 dis	−7.90
Norway	7.4825-7.5125	7.4850-7.4900	1.60-1.90ore dis	−2.80	4.90-5.20dis	−2.69
France	8.0950-8.1350	8.1000-8.1050	2.00-2.20c dis	−3.11	8.90-10.40dis	−5.01
Sweden	7.9100-7.9350	7.9125-7.9175	1.15-1.35ore dis	−1.89	2.30-2.50dis	−1.21
Japan	246.45-247.15	246.70-246.80	0.70-0.60y pm	3.16	2.20-2.10 pm	3.49
Austria	18.91-19.00	18.91-18.93	7.20-6.40gro pm	4.30	22.00-19.50pm	4.37
Switz.	2.1785-2.1950	2.1875-2.1885	1.09-1.04c pm	5.84	3.15-3.10 pm	5.71

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.375-54.475.

EXCHANGE CROSS RATES

Sept. 2	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.496	4.033	369.3	12.116	3.275	4.505	2404.	1.844	81.10
U.S. Dollar	0.668	1.	2.696	246.8	8.101	2.190	3.012	1607.	1.233	54.23
Deutschmark	0.248	0.371	1.	81.57	3.004	0.812	1.117	596.0	0.457	20.11
Japanese Yen 1,000	2.708	4.050	10.93	1000.	32.81	8.868	13.20	6509.	4.993	218.6
French Franc 10	0.825	1.234	3.329	304.8	10.	2.703	3.710	1984.	1.522	66.94
Swiss Franc	0.305	0.457	1.231	112.7	3.699	1.	1.376	733.9	0.563	24.70
Dutch Guilder	0.222	0.332	0.895	81.96	2.689	0.727	1.	533.5	0.409	19.00
Italian Lira 1,000	0.410	0.622	1.678	153.0	5.041	1.363	1.874	1000.	0.767	33.74
Canadian Dollar	0.542	0.811	2.187	200.3	6.572	1.777	2.444	1304.	1.	43.99
Belgian Franc 100	1.233	1.844	4.973	456.3	14.94	4.036	5.556	2964.	2.273	100.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	89.86	89.89	89.83	89.90
Dec	89.21	89.22	89.17	89.28
March	88.91	88.93	88.90	88.98
June	88.70	88.73	88.70	88.78
Sept	88.49	—	—	88.58

Volume 3,144 (2,425)
Previous day's open int. 5,266 (5,566)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	90.30	90.32	90.25	90.30
Dec	89.82	89.83	89.76	89.84
March	89.44	89.44	89.30	89.45
June	89.20	—	—	89.21
Sept	89.09	—	—	89.10

Volume 227 (306)
Previous day's open int. 4,091 (4,153)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	101-12	101-12	101-04	101-10
Dec	103-11	103-15	102-29	103-08
March	102-31	—	—	102-28
June	102-17	—	—	102-14
Sept	102-03	—	—	102-00

Volume 1,461 (1,237)
Previous day's open int. 4,709 (4,760)
Basis quote (clean cash price of 13¼% Treasury 1998 less equivalent price of near futures contract) 02 to 10 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4950	1.4965	1.4948	1.5002
Dec	1.4975	1.4993	1.4965	1.5025
March	1.5000	—	—	1.5045

Volume 136 (247)
Previous day's open int. 1,129 (1,162)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3719	0.3710	0.3703	0.3715
Dec	0.3752	0.3752	0.3746	0.3758
March	0.3805	—	—	0.3787

Volume 122 (49)
Previous day's open int. 509 (513)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4582	—	—	0.4582
Dec	0.4656	—	—	0.4646
March	—	—	—	—

Volume nil (14)
Previous day's open int. 257 (255)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4057	0.4057	0.4051	0.4059
Dec	0.4093	0.4093	0.4085	0.4097
March	—	—	—	—

Volume 33 (33)
Previous day's open int. 296 (286)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	69-24	69-27	69-21	69-30
Dec	69-06	69-10	69-03	69-12
March	68-23	68-27	68-19	68-29
June	68-11	68-13	68-09	68-17
Sept	68-01	68-03	67-31	68-07
Dec	67-24	67-25	67-22	67-30
March	67-19	67-17	67-10	67-22
June	67-10	—	—	67-16
Sept	—	—	—	—
Dec	—	—	—	—
March	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	90.13	90.15	90.12	90.19
Dec	89.80	89.82	89.79	89.83
March	89.58	89.61	89.57	89.61
June	89.40	89.42	89.38	89.42
Sept	89.22	89.25	89.21	89.24
Dec	89.08	89.10	89.06	89.09
March	88.96	88.98	88.95	88.97

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Sept	90.07	90.14	90.07	90.12
Dec	89.35	89.41	89.34	89.42
June	88.77	88.82	88.77	88.82

THREE-MONTH EURODOLLAR (IMM) $1m points of 100 per cent

	Close	High	Low	Prev
Sept	89.55	89.59	89.54	89.60
Dec	88.92	88.97	88.92	88.97
March	88.59	88.64	88.59	88.64
June	88.38	88.43	88.38	88.43

STERLING (IMM) $ per £

	Close	High	Low	Prev
Sept	1.4950	1.4965	1.4938	1.4975
Dec	1.4960	1.4970	1.4940	1.4995
Mar	1.4975	1.4995	1.4960	1.4995
June	1.5000	1.5030	1.4990	1.5020
Sept	1.5020	—	1.5010	1.5040
Dec	0	0	0	0

GNMA (CBT) 8 per cent $100,000 32nds of 100 per cent

	Close	High	Low	Prev
Sept	69.12	69.15	69.08	69.14
Dec	67.14	67.15	67.08	67.15
March	66.19	66.20	66.15	66.21
June	65.29	65.29	65.27	66.31
Sept	65.12	65.12	65.10	65.14
Dec	64.90	65.00	64.28	65.00
Mar	0	0	0	0
June	0	0	0	0
Sept	0	0	0	0
Dec	0	0	0	0
Mar	0	0	0	0
June	0	0	0	0

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept. 2	change		Sept. 2	change
LONDON			NEW YORK		
Base rates	9½	Unch'd	Prime rates	11	Unch'd
7 day interbank	9⅜	[illegible]	Federal funds	9⅛	[illegible]
3 mth interbank	9⅝	Unch'd	3 mth. Treasury Bills	9.30	−0.01
Treasury Bill Tender	9.3343	−0.0042	6 mth. Treasury Bills	9.51	+0.11
Band 1 Bills	9⅜	[illegible]	3 mth. CD	9.85	+0.20
Band 2 Bills	9⅜	[illegible]	FRANKFURT		
Band 3 Bills	9⅜	[illegible]	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	9⅜	[illegible]	One mth. Interbank	5.55	+0.15
1 Mth. Bank Bills	9⅝	[illegible]	Three month	5.95	+0.30
3 Mth. Bank Bills	9⅝	[illegible]	PARIS		
TOKYO			Intervention Rate	12.20	Unch'd
One month Bills	6.78125	+0.0625	One mth. Interbank	12.4375	+0.19
Three month Bills	6.78125	+0.0625	Three month	12.4375	+0.19
BRUSSELS			MILAN		
One month	9.0	−0.125	One month	17⅞	Unch'd
Three month	9.3125	−0.25	Three month	17⅞	Unch'd
AMSTERDAM			DUBLIN		
One month	5⅝	+⅛	One month	13¼	Unch'd
Three month	6⅛	+⅛	Three month	13¼	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅝.

MONEY MARKETS

A nervous time

It is a rather nervous time as far as the money markets are concerned, dominated by events in the U.S., although this has not been translated into any strong upward pressure on interest rates. In New York Federal funds were fairly steady at around 9½ per cent, with the Federal Reserve intervening to add reserves on Wednesday when weekly make-up distortions threatened to push the rate higher. The Fed's move was somewhat unexpected, but helped to improve sentiment, which was tending to become nervous ahead of a $6bn auction of five-year Treasury notes.

In the event the auction passed off without trauma, but there was no way the market could shake off its apprehension about this month's M1 money supply figures. There is also a refunding package to be announced on September 19, although signs of a slowdown in U.S. economic growth, following a rise of only 0.3 per cent in the July index of economic indicators, was well received in the credit markets.

Steady Eurodollar interest rates, helped to keep London interbank sterling rates virtually unchanged, after a week when day-to-day money market credit was in reasonably good supply, running into a £350m surplus on Wednesday.

Sterling's reasonably good performance on the foreign exchanges, even against the very strong dollar, helped to underpin confidence, but this was not the case in Frankfurt, where the return of the dollar above the DM 2.70 level was a factor behind the nervous rise in domestic interest rates.

Tax payments are likely to cause tighter credit conditions in London this month, and a similar situation is expected in Frankfurt, while banks were already bidding aggressively for funds last week in anticipation of a possible rise in the Lombard rate at this Thursday's Bundesbank council meeting.

Call money touched 5.20 per cent on Friday, and banks also made increased use of the Lombard borrowing facility in the latter part of the week. Apart from a possible rise in at least one of the Bundesbank's key lending rates, the market fears that the DM 4.5bn securities repurchase agreement expiring on September 12, will be replaced by another at a rate of around 5.5 per cent, compared with 5.3 per cent previously.

LONDON MONEY RATES

Sept. 2 1983	Sterling Certificate of deposit	Interbank	Local Authority negotiable deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	4-10	9⅜-9½	—	—	7-10	5-9¼	—	—	—
2 days notice	—	—	9⅛-9⅜	—	—	—	—	—	—	—
7 days or	—	[illegible]	[illegible]	—	—	[illegible]	[illegible]	—	—	—
7 days notice	—	[illegible]	[illegible]	—	—	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	—	[illegible]	—	—	—	—	—	—

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period July 6 to August 2 1983 (inclusive) 9.889 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11¼ per cent; four years 11½ per cent; five years 11¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-months bank bills 9⅜ per cent; four months trade bills 10¼ per cent.

Approximate selling rate for one month Treasury bills 9¼-9⅜ per cent; two months 9⅜-9⅜ per cent and three months 9⅜ per cent. Approximate selling rate for one month bank bills 9⅝ per cent; two months 9⅝ per cent and three months 9⅞ per cent; one month trade bills 10 per cent; two months 10⅛ per cent; three months 10⅛ per cent.

Finance Houses Base Rate (published by the Finance Houses Association) 10 per cent from September 1, 1983. London and Scottish Clearing Bank Rates for lending 9½ per cent. London Deposit Rates for sums at seven days' notice 6 per cent.

Treasury Bills: Average tender rates of discount 9.3343 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9½ per cent; one-three months 10 per cent; three-six months 10½ per cent; six-12 months 10½ per cent. Under £100,000 9½ per cent from September 1. Deposits held under Series 4-5 10 per cent. The rates for all deposits withdrawn for cash 8 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 2	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschm'rk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr'nch Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belg. Franc Conv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asia $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. SEPTEMBER 2)

3 month U.S. dollars		6 month U.S. dollars	
bid 10 1/4	offer 10 3/8	bid 10 5/8	offer 10 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	9⅜
Treasury bills (13-week)	9.25
Treasury bills (26-week)	9.51

GERMANY

Lombard	5.5
Overnight rate	5.1-5.2
One month	5.55
Three months	5.75
Six months	5.85

FRANCE

Intervention rate	12.25
Overnight rate	12.75
One month	12.4375
Three months	12.4375
Six months	12.50

JAPAN

Discount rate	5.5
Call (unconditional)	6.09375
Bill discount (3-month)	6.78125

SWITZERLAND

Discount rate	4
Overnight rate	2¾-3
One month	3¾
Three months	4⅛-4⅜

NETHERLANDS

Discount rate	4½
Overnight rate	5⅝-6
One month	5⅝-6
Three months	5⅝-6¼
Six months	6⅛-6⅜

$ CERTIFICATES OF DEPOSIT

One month	9.65-9.75
Three months	9.9-10.0
Six months	10.25-10.45
One year	10.6-10.8

LONG TERM EURO $

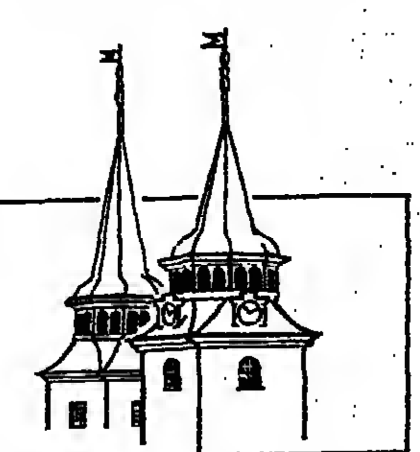
Two years	11¾-12
Three years	12-12¼
Four years	12¼-12½
Five years	12⅜-12⅝

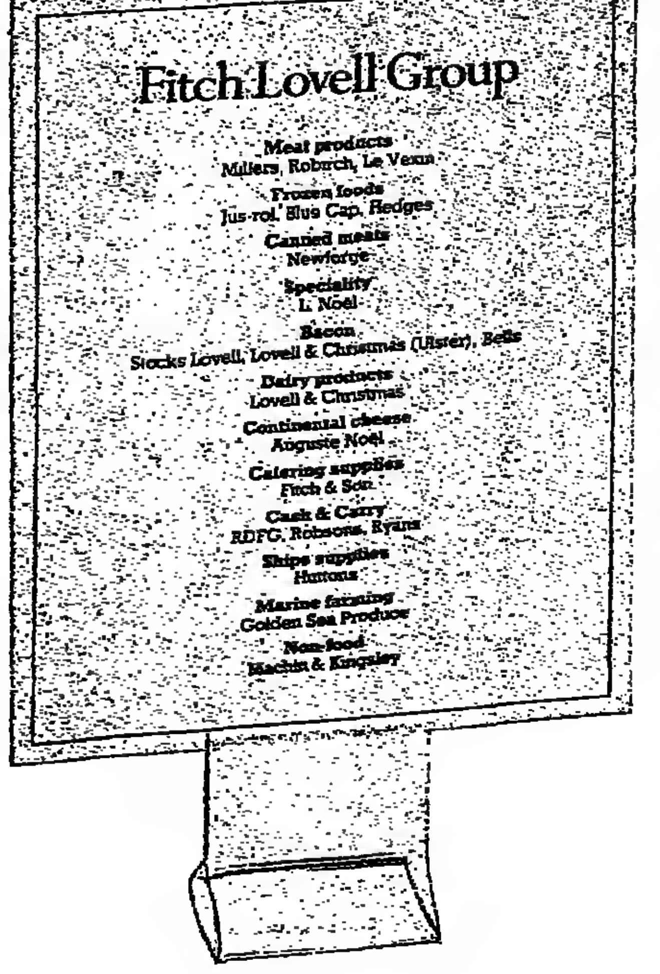
SDR LINKED DEPOSITS

One month	8⅞-9⅛
Three months	9⅛-9⅜
Six months	9⅝-10
One year	10-10⅜

ECU LINKED DEPOSITS

One month	8⅞-9
Three months	9⅜-9½
Six months	9⅞-10
One year	10⅛-10⅜





REINSURANCE
AND WORLD INSURANCE MARKETS

By John Moore
CITY CORRESPONDENT

THE WORLD'S reinsurers, the professionals who lay off risks for all types of insurance concerns, are experiencing the first major shakeout in their community since their businesses began to expand rapidly in the mid-70s.

For years it has been the conventional wisdom of the established reinsurer and insurer to argue that the problems within the market were created by overcapacity—too many suppliers of insurance and reinsurance looking for business which was not expanding at the same rate as the available market.

Cut-throat competition, caused by the growing volume of participants in the reinsurance market, an overall lack of underwriting expertise and experience among some groups, and poor financial controls in other groups could mean serious trouble for the more established concerns.

The "big bang" theory, which has been pot forward at every major insurance convention for the last five years, and no doubt will be heard again this week at Monte Carlo, held that some huge natural catastrophe, such as a hurricane, would sweep away the newcomers to the market and put tremendous strains on the more established insurance and reinaurance concerns.

Ironically, the market has been hit in the past year by a series of unnatural "catastrophes," such as the troubles at Lloyd's, which have largely been caused by the market's structure. These events are causing a major reassessment by regulators and reinsurance specialists alike of reinsurance and its operation.

As a commercial activity reinsurance has its origins in the 14th century. A boom in the industry took place in the 1970s. In 1965 reinsurance premiums amounted to \$5.6bn and currently stand at more than \$40bn. By comparison direct non-life insurance premiums grew from \$40.1bn to around \$300bn over the same period.

Growth of the industry was given impetus when insurance capacity in the U.S. contracted dramatically as falling stock market values eroded insurance companies' reserves. The U.S. insurance industry sought extensive reinsurance protection. The reinsurers were able to offer a pool of capital which paid for large losses which would bave otherwise heen beyond the capacity of individual insurers. In this way risks were spread throughout London and Europe.

Representatives of the world's reinsurance community, in Monte Carlo this week for their annual convention, are meeting against a background of *unprecedented uncertainty* in their markets. Problems arising from the market's structure have led to a major reassessment of the work of the reinsurer which could lead to a healthier industry.

European reinsurance groups, seeing the possibility provided by the American insurance market for reinsurance business, started developing their own operations in the U.S. while established U.S. insurance groups developed their *own reinsurance departments* to cope with the demand.

The unexpected level of demand and high interest rates encouraged others to enter the market. Reinsurance, for some of the participants new to the reinsurance game, became bttle more than a glorified banking operation, an access to a virtually unlimited supply of capital at low cost.

Many of the newcomers describing themselves as reinsurers were operating little more than shell companies, taking money in through a reinsurance contract, retaining e tiny amount of the risk, and reinsuring the bulk of their own business out again with other reinsurers. In this way they had access to capital, which could be invested to finance other business ventures.

The world's insured risks came to be spread throughout e colossal daisy chain of reinsurers, whose financial status was often open to question. But as the world's risks became atomised, as the pot of money representing reinsurance premiums was passed around, so it became more difficult for individual insurers or reinsurers to identify the participants in their programme of risk bearing.

The problem was compounded by the entry of respectable concerns into the reinsurance arena. Industrial companies seeking to reduce their insurance costs established their own insurance concerns — known as "captives"—which insured the risks of their parent companies. But adverse rulings in the U.S. encouraged them to develop their captive companies as proper commercial insurers and reinsurers accepting business from outside the parent company.

The captives were usually set up in offshore centres with relaxed regulatory environments, such as Bermuda. More than 1,200 companies were formed in this way in Bermuda alone. The Bermuda market seldom saw the best business offered and unless the underwriting was unusually prudent the consequences could be disastrous.

Here there are signs of a dramatic shake-out and a contraction in capacity of e \$5bn insurance and reinsurance market. Stuffed with bad insurance business and huge losses, some captives owned by large industrial parent companies are curbing their activities by not accepting business from outside their parent company.

The Lloyd's experience of the past year and the scandals which have emerged have bad dramatic repercussions throughout the reinsurance world. Regulators have been worried about the apparent abuses of the reinsurance system which have surfaced in the Lloyd's market and which have damaged the image of certain offshore centres.

In the U.S. competitors of Lloyd's have been quick to exploit the problems of the market in order to attract business. Lloyd's is faced with the problems of having to overhaul its market and institute effective self regulatory mechanisms in order to restore confidence.

The problems created by the rapid growth of the reinsurance market are now causing anxiety among more established reinsurance groups. Mr John Lock, general manager of the Mercantile and General Reinsurance Company, Britain's largest reinsurer, warned recently that the growth of the market had created severe management problems in the industry.

He said: "The administrative and accounting infrastructure has not kept pace with the growth of the business. We therefore bave a market which is extremely inefficient in many of its administrative and accounting functions."

Key terms in reinsurance

Treaty: a contract providing for a number of reinsurances over e period.

Excess of loss policy: a policy that covers claims only to the extent that they exceed a stated amount.

Facultative reinsurance: the reinsurance of risks that the original insurer may elect whether or not to offer for reinsurance. The reinsurer is free to accept or reject the offer.

Facultative obligatory treaty: e reinsurance treaty under which an insurer may elect whether to offer a risk of a specified type for reinsurance. The reinsurer is obliged to accept if tha business is offered.

Surplus line: 1. the amount of reinsurance required after the maximum line has been declared on a reinsurance treaty or cover. 2. a risk which a broker is unable to place with insurers in his own state and for which he must therefore seek cover outside the state. In this context the expression is widely used in the U.S.

Ceding company: an insurance company that transfers risks by means of reinsurance.

Retrocessionaire: a reinsurer who buys reinsurance on some of the risks he has agreed to bear.

Overriding commission: A discount allowed to an agent or ceding insurer in addition to normal commission. In reinsurance it is usually done by way of contribution to the direct insurer's overheads.

Proportional reinsurance: reinsurance of part of an original insurance premiums and losses being shared proportionately between reinsurer and insurer.

Non-proportionate reinsurance: reinsurance such as excess of loss reinsurance where the reinsurer's liability is not calculated proportionately to the insurer's.

Quota share reinsurance: treaty reinsurance providing that the reinsurer shall accept a specified share of the risk.

In order to satisfy its appetite, the market "atimulates turnover by encouraging excessive use of reinsurance and other reinsuranca arrangements."

Mr Lock argued that the market *has largely abandoned* the concept of underwriting profit and has become virtually dependent on earnings from overriding commission and investment income. "We heve s market where the level of operating profitability is reducing and which is no longer generating sufficient surplus to fund its own growth. We have a market where doubts are growing both amongst purchasers of reinsurance and supervisory authorities about the financial security and stability of many reinsurance operations."

Already in the UK the Department of Trade and Industry has brought in more procedures to monitor more effectively the underlying security of reinsurers operating in Britain.

But the security of the world's reinsurance chain has been eroded by other factors. Brokers, particularly in Britain, have seen that there are considerable opportunities for commission generation through broking a large reinsurance programme. For each layer of reinsurance business which they carry out *the broking they receive* a commission.

Some brokers, in order to boost their revenue volumes, have created in-house insurance and reinsurance subsidiaries, passing business perhaps in the first instance to their Lloyd's managed syndicates, and then reinsuring those syndicates with reinsurance groups which they own. In this way risk beering premium is gradnally reduced and whittled away to non-risk bearing commission.

Exposed

This has often left the insurance concerns of some brokers under reserved, which has meant large capital injections at e later date. In this way *the security of the broker has* been exposed by its own involvement in risk bearing reinsurance business.

There are other ways in which the *security of the world's* reinaurance market bas become vunerable. Overseas companies establishing operations outside their own markets have usually chosen to do so through an underwriting agency facility.

The underwriting agent receives remuneration in fees or on a business volume related basis from the companies for which they act. The agent receives the business from a commission remunerated broker. There is no identical interest between the two operators—the broker and the *agent*—producing business for the companies. The two operators do not carry any part of the risk and make their money from generating premium turnover.

In that relationship the quality of the business produced for the overseas companies and the rates set are not of the best. There are signs now that companies setting up in overseas markets are attempting to set up *locally based contact offices* or fully fledged subsidiary companies rather than operate through an agency system.

Against this unsettled background some of the larger American brokers are assessing their involvement in underwriting. Marsh & McLennan Companies, the world's largest broker, is withdrawing from all *underwriting* activity largely because it feels that nnderwriting conflicts with the activity of pure broking. Others may follow and already Lloyd's brokers are forced by Act of Parliament to cease their active management of underwriting activities in the Lloyd's market.

But with the ahakeout throughont the market bas come a *possible change* in the underwriting trends. Rates are said to he rising sporadically perhaps beginning to infiueoce the direct insurance market. "It would be surprising if there are not significant changes to the market structure as the impact of underwriting losses, inadequate reserves, falling investment income and rising expenses take their toll," said Mr Lock.

The changes that will come can only lead to a healthier and more secure reinsurance market.

CONTENTS

Fluctuating currencies and interest rates are causing major problems, reports **John Makinson**

Hazardous path for the fund managers

THE CHAIRMAN of the U.S. Federal Reserve Board must be one of the most unpopular figures in the international reinsurance industry's casebook of villains. The sharp fluctuations in currencies and interest rates engendered by U.S. monetary policy have made the task of the industry's asset managers extremely hazardous. Filling in the log-book of a pitching ship is not an easy job.

Geographical diversification should, in principle, provide insurance and reinsurance companies with protection against a shake-out in any particular market. If, for example, the Canadian market develops a severe dose of over-capacity, resulting in heavy discounting, an insurance company should be in a position to use, say, its European business to restore the balance. In practice, however, diversification of this kind can create as many problems as it solves.

Reinsurance companies constantly strive to match their assets and liabilities in currency terms. They also endeavour to set their premium rates with an eye to the expected return on invested premium income and to gauge their overall volume of business according to the anticipated level of shareholders' funds. Volatile interest and exchange rates, however, all too

World money markets

often upset those delicate calculations.

For a reinsurance company's fund manager, the problem is not to assess the currency exposure of his investments, which is constantly monitored, but to calculate the actual breakdown of the company's liabilities. The composition of the biggest liability of all—the reserve for outstanding claims—is at best a matter of guess-work.

Even the most sophisticated actuary will be unable to predict with any certainty how much particular claims can be expected to cost or what unreported losses may suddenly emerge. Moreover, some categories of loss cannot be accurately apportioned to a particular currency. The fund manager is obliged to employ assets which balance, for example, the company's catastrophe reserves. But claims against those reserves could arise in any of a number of major currencies, depending on when the next forest fire breaks out or the next earthquake occurs.

The shareholder will probably find it more difficult to assess the completeness of a company's matching than the fund manager himself. Not every company provides a clear breakdown of assets and liabilities according to currency and the balance sheet position may itself be untypical of the average position over a year. Moreover, the often substantial hidden reserves maintained by continental reinsurance groups further confuse the already cloudy currency picture.

For many reinsurance companies, international diversification is a matter of necessity. The Swiss market, for example, is far too small to support a company of the size of Swiss Re. Its liabilities, therefore, are denominated overwhelmingly in foreign currencies. Yet, with predominantly Swiss shareholders, it is reasonable for Swiss Re to consider its shareholders' funds as a domestic currency liability.

If the Swiss franc is consistently strong against other currencies, notably the U.S. dollar, as was the case throughout the late 1970s, the Swiss company will find that its shareholders' funds rise more rapidly than its premium income in Swiss franc terms, opening the company to the accusation that it is not putting shareholders' money to sufficient use. The group may therefore aim for a higher than average growth in overseas markets both to maintain optimal gearing on its shareholders' funds and to cover its expenses, a high proportion of which will be denominated in Swiss francs.

Recently, however, the dollar has been in the ascendant, leaving the European reinsurance companies with the opposite problem. Unless it reins back its overseas operations, shareholders may reasonably complain that the group is over-geared. Conversely, the U.S. companies will feel in a stronger position to expand in overseas markets.

Investments

The upshoot of volatile currencies, *therefore*, is not only to exacerbate the matching problems of an individual company but to accelerate movements in capital within the reinsurance industry worldwide.

A similar problem applies with interest rates. The reinsurance company is always aiming at an overall return—that is to say a trading profit after crediting investment income—and the level at which a desired return is achieved depends crucially on the return from short-term investments.

If short-term interest rates suddenly tumble, as happened in 1982, reinsurance companies may find that their return on money market investments is no longer sufficient to make up a deficit on the pure reinsurance account. Conversely, the value of their fixed-interest debt portfolio will rise, strengthening the company's reserve position.

The fund manager has been assisted in his task by the proliferation of instruments which enable him to hedge his risk at short notice. Currency futures, for example, can be used either to hedge an unbalanced position in a particular currency or to purchase in advance a currency in which a liability is expected to arise.

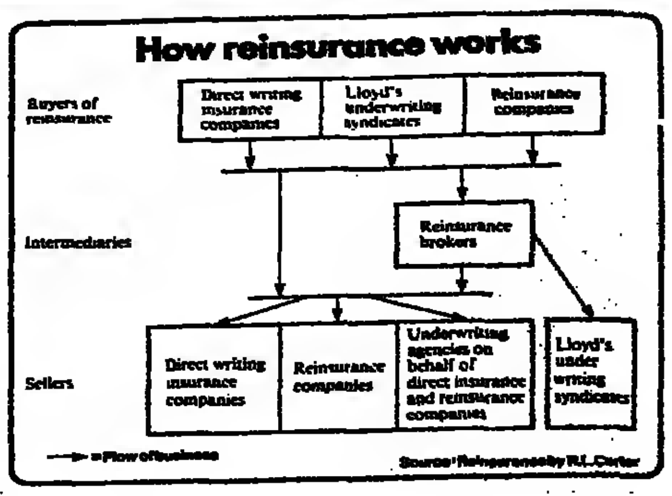
Also, interest rate futures enable a fund manager to protect himself to some extent *against* sudden movements in the cost of money. By buying a fixed-interest security in the cash market, and then setting up a "bear" position in a matching futures contract, the risk to the company of a falling bond market can be *limited*.

The 1981 accounts of Swiss Re, the latest available, show fairly clearly the effect of currency mismatching. In Swiss franc terms, gross premium income from non-life reinsurance showed virtually no change over the previous year. This, the company notes, was due in large measure to a fall in the exchange rates of all European currencies against the Swiss franc. Swiss Re generally earns less than 10 per cent of its premium income in Swiss francs.

Justified

Investment income, *however*, climbed from SwFr 280m to SwFr 326m. Here, Swiss Re benefited from its traditional policy of investing a higher proportion of its assets in Swiss francs than would strictly be *justified by* the profile of its liabilities. The accounts show that 38 per cent of the company's capital market and real estate investments were in Swiss francs. This figure might, of course, look different if deposits and other short term instruments were included in the calculation.

There is no easy way for the fund manager to overcome the problems of fluctuating interest and foreign exchange rates. The key, however, *must* be to match assets and liabilities in currency terms as far as possible and to adjust premium rates quickly to changed interest rate expectations.



Bargains now but risks lie ahead

"THE BUYER, with his broker ally, is reasonably adept at finding secure reinsurance and he is finding it et very attractiva prices, so unless the two efforts of skill and will are made—and it is only in your hands as sellers—we buyers will go on taking you to the cleaners."

This warning to reinsurers was handed out by the representative of a direct insurer at the Reinsurance Offices Associations' Sixth International Reinsurance Seminar, held in April.

The "bargain basement" view of the reinsurance market, unpalatable as it is to reinsurers, is one which they have *increasingly* had to come to terms with, and which, belatedly, they are trying to change.

Buyers use the reinsurance market to spread risk, in much the same way that bookmakers lay off bets with other bookmakers.

As in direct insurance, the buyer's fundamental need is for protection against loss or disaster. The smaller the insurer, the greater the reinsurance protection needed against a possible accumulation of risks.

The buyer also looks for capacity. Reinsurance enables an insurer to accept more and far larger risks than would otherwise be the case. In a highly competitive direct market, where the size and complexity of risks is ever increasing, the value of large capacity is evident.

The need for large scale protection and capacity demonstrates the extent of the buyer's dependence on reinsurance. It is therefore vital to the buyer's interests that his reinsurers provide security of the highest possible quality.

Disproportionate

The buyer must, however, strike a balance between these needs and cost. With rates in the direct market at often derisory levels, the buyer looks for the reinsurance programme which will enable him to retain as much of his premium income as possible.

Reinsurance also serves to even out fluctuations in the buyer's results. In some classes of insurance, for example aviation, loss experience can vary widely from year to year and individual losses can involve disproportionately large amounts of money. But an insurer's performance must show some consistency, if only for shareholders' peace of mind.

The buyer uses reinsurance to move into new fields. This applies both to tha small, recently established company which wants to expand, and to the more well established company seeking to exploit previously unutilised markets. Initially, the buyer needs the technical expertise which experienced reinsurers can offer, and reinsurers, in the early years, will have to bear an unduly large proportion of the risk.

By negotiating reciprocal arrangements with reinsurers, the buyer uses his need for protection as a means of entering the reinsurance market itself. Theoretically, this provides him with a relatively safe and cheap method of expanding his portfolio of business.

In an ideal market, insurers would make a professional assessment of their reinsurance needs, based on the various objectives outlined above, and reinsurers would provide them with balanced reinsurance protection. The reality is somewhat different.

It is still largely true that most buyers in the international reinsurance market are interested solely in high capacity and low price.

Reinsurance rates are, on the whole, ridiculously low and bear no relation to loss experience. Commissions, traditionally granted to the original insurer, or cedant, for business acquisition costs, beve reached disproportionately high levels.

Reinsurance premiums, to quote a much-used phrase, flow like glue. Many reinsurance agreements have high premium reserves, held by the cedant on behalf of reinsurers. Reinsurers

Buyers

are lucky to be credited with 5 per cent interest on such reserves.

Many of these problems stem from overcapacity. Prospective reinsurers have been attracted by the low initial costs, compared with the direct market, the volume of premium, and the possibility of accumulating that premium before being hit by the large claims.

At the same time, economic recession hes intensified competition in the direct market. Aided by high interest rates, premium levels have tumbled. Reinsurance rates have followed the fortunes of the direct market. Too many people are chasing a dwindling supply of money.

At first sight, this may seem entirely to the buyer's advantage. He can shop around for a deal that offers him capacity at a low price.

In the long term, however, the buyer is damaging his own interests. The dividing line between buyer and seller is not at all rigidly defined because the insurance and reinsurance markets are inextricably bound up with one another. Insurers act as reinsurers through reciprocal agreements, and reinsurers find themselves in the position of buyers when arranging their own reinsurance cover, known as retrocession.

More specifically, reinsurance rates affect rates in the direct market. If the insurer can rely on cheap reinsurance cover, he has more freedom tn cut his rates, if necessary, to remain competitive. Insurance and reinsurance rates force each other down in a depressing spiral.

Rather late in the day, reinsurers have begun trying to set part of their house in order. In the London market, reinsurance agreements are usually renewed on January 1. Last January, for the first time, there was a definite hardening of rates on proportional treaties, reinsurance arrangements where the reinsurer accepts a certain proportion of the insurer's risk, receives that proportion of the premiums and pays that proportion of the claims. Mercantile and General Reinsurance, the UK's longest established professional reinsurance company, cancelled over 900 treaties, most of them proportional.

It is from proportional treaties that reinsurers have been getting the roughest deal. They have no control over premium rates, which follow the original, suffer heavy reserves and pay unrealistic commissions.

Buyers are still making hay, however, with non-proportional treaties, under the terms of which reinsurers agree to pay a percentage of each loss, in excess of a fixed amount, up to a further limit. The attraction of non-proportional business for tha reinsurer is that, although the premium is still inadequate, he stands a chance of making e 100 per cent profit.

Last January, a prominent UK composite moved its first layer property excess of loss cover from the UK to the U.S. reinsurance market, where it was placed et a third of the cost. In 1982, tha treaty had made e substantial loss, and already this year, heavy involvement by the company in Australian bushfire losses has led to even worse results.

Reinsurers' dilemma was summed up by Alan Preston, chairman of the Reinsurance Offices Associetion in 1981, when be spoke of "the problem of establishing standards which would be acceptable to responsible underwriters, yet without affecting general freedom of operation."

Buyers have not so much used, as abused, the reinsurance community. Reinsurers have not so much met the challenge of buyers' needs, as collapsed before it. To the outsider, the conduct of international reinsurance displays all the logic of a man *stealing* money *out of* his own back pocket.

Greg Wood

Chris Morrison examines the impact of new markets

Fledgling trio experiencing mixed fortunes

N. American exchanges

THREE NEW "Lloyd's style" insurance exchanges have opened their doors for business in the U.S. during the past couple of years.

In design they closely resemble the Lloyd's operation with individual syndicates within a central market competing mainly for reinsurance and non-standard or innovative risks, known as excess and surplus lines in the U.S.

They are intended to provide additional U.S. and world capacity and help reduce the flow of premiums out of the North American market.

Tha three operations, based in New York, Chicago and Miami, can offer substantial cost savings to corporate and individual investors and they are often marketed as an easy and cheap alternative to U.S. establishment.

One major reason for this is that the aggregate surplus of an exchange allows subscribers to participate in business that would not have been open to them on an individual basis. The New York exchange's 1982 annual report lists over 60 foreign investors from 35 countries.

Unlike Lloyd's, which is backed to an unlimited extent by around 20,000 wealthy individuals, the U.S. exchanges are funded mainly by companies, although a syndicate representing a group of individuals has recently started operating in Miami. Underwriting liability is strictly limited in America with various last resort security and guarantee funds providing the ultimate security.

The most significant exchanga currently operating is New York which is formed of 37 underwriting syndicates and has over 90 brokers authorised to place business. The New York Insurance Exchange bas substantial backing from the state's insurance establishment and premium growth bas been dramatic with a 166 per cent increase last year to $156.4m. The pace was maintained during the first quarter of this year with an 82 per cent boost to $57.8m.

Soft markets however have taken their toll and the average operating ratio last year came in at 114.1 per cent, over four points higher than the overall industry figure. One syndicate went as high as 280 per cent, while the largest finished with 111 per cent.

New York is primarily a reinsurance market-place although it is now able to write excess and surplus business in the rest of the country providing the individnal states agree.

There are restrictions on the writing of New York direct business and it cannot be considered unless it has been *rejected* by a panel *of* insurers in e "free trade zone." While the exchange can count itself among the top 15 U.S. reinsurance markets, it is perhaps not surprising that direct business, at $1.3m in 1982, has yet to take off.

Chicago is also well backed by the local insurance establishment although progress has been limited to date. Premium income during 1982 totalled $2.5m bnt there are bopes to increase it this year to around $8m. Eight syndicates are currently operating and 40 brokers are anthorised to place business.

Chief executive James Skelton recently estimated that the *exchange* needed at least *20* syndicates to make it really viable.

The New York exchange: among the top 15 U.S. insurance markets

The Chicago exchange is authorised to accept reinsurance and direct business and is attempting to develop a name for the unique risk. According to its annual report, business *written* last *year* included non-appearanre insurance for entertainers and bot air balloons.

The Miami exchange, the Insuranre Exchange of the Americas, led by British expatriate Alan Teale, bas bad a disappointing start with delayed authorisation bearings and only four active syndicates in place when it opened last April.

Much of the disappointment bas erisen because expectations bed been built up too high. Just over a year ago Mr Teale was confidently predicting 25 or more syndicates for opening time, while last May be told a group of London jouroalists that 16 syndicates were expected to be in place by the end of June.

In the event, *Miami* was operating at the middle of Angust with six syndicates and, according to Mr Teale, "prooessed" premiums totalled $3.6m.

The exchange's marketing stance is primarily aimed at ettracting the small to medium sized companies and *it* is also boping to secure the participation of a number *of* non-insurance investors.

In common with the other U.S. exchanges it is making considerable efforts to attract good underwriting talent — an increasingly difficult task as demand ontstrips supply, at least in the short run.

The shakeout begins

Captives

BERMUDA'S 1,200 or so insurance companies owned by large non-insuranre parent groups are beginning to contract their operations after a long period of growth.

Recently Insco, Gulf Oil's highly respected Bermuda-based "captive" insurance company, decided to curb its business operations on the island by cutting down on its acceptance of non-related third party business.

It is part of a trend. Walton Insurance Company, the Bermuda-based insurance arm of Phillips Petroleum, has been hit by heavy losses amounting to a net $60m. That group is also contracting its operations and has been forced to make a number of redundancies. Continental Reinsurance Corporation (Bermuda), part of Continental Corporation, the insurance group, bas decided to relocate its Bermude operations to New York to improve efficiency and cut costs. Mentor Insurance, a wholly owned subsidiary of the New Orleans-based oil exploration group Ocean Drilling and Exploration Company is to transfer a large part of its Bermuda-based underwriting business to sister companies in the U.S.

Alexander International, part of Alexander & Alexander Services, the world's second largest broker, is embarked on rationalisation moves following its parent company's takeover of the controversial Alexander Howden Group.

Bermude'e name as an insuranre centre bes become ceugbt up in the sensations emerging at Lloyd's. The Lloyd's scandals have involved allegations that irregular transactions beve washed through the Bermuda market to other offsbore centres.

Like the rest of the reinsurance community Bermuda's own insurance community is suffering the problems of rapid growth. The number of companies operating in Bermuda in the insurance arene bas risen more than tenfold since the late *60s and* now *exceeds 1,200.*

The attractions for industrial companies creating their own insurance subsidiary were varied. A main consideration was cost.

Insurance companies sometimes rate premiums without giving sufficient attention to an analysis of the loss experienre of the insured. Consequently, the premium payable is sometimes bigher than it would be if calculated actuarially. The bad experiences of many insureds can reflect adversely on the good experiences of the few when insurance groups come to rate assessment.

Use of captives often assists in the placing of risks or a proportion of risk where market cajacity is limited. The world's insurance markets have not yet developed sufficiently to absorb fully such risks and the placing of business can be extremely difficult. A captive insurance subsidiary can provide a measure of protection.

Moreover, a captive insurance group hes direct eccess to tha reinsurance market and the reinsurance offered may be cbeaper than direct insurance. The captive also allows the parent company to utilise internal casb resources more efficiently, enabling premiums to be invested and the investment income applied to building up reserves and conteining overall costs for the cover.

Premiums charged by the majority of direct insurers reflect their need to cover "front office" and other overbead *costs sucb as commission payments* to the broker. The lack of a need to sell insurance and to maintain large offices and staffs means that the overheads of a captive are substentially lower.

In the 1970s the captive companies were given a push by the Internal Revenue Servire in the U.S. *which* caused a large increase in the world's reinsurance capacity. The IRS ruled that parent company insurance premiums paid across to an in-house captive insuranre company would not be allowed for tax purposes. Tax deductibility of premiums would be releted to the amount of business passed by the parent company to its subsidiary.

The move prompted many captive owners to look for ways to reduce the reliance of their insuranre company on captive business and encouraged them to turn their captives into full-fledged insurance subsidiaries accepting business from units outside their parent companies.

Their experiences proved veriable. Bermuda was never shown the best lines of business and that business wbich it was offered was generally at the end of the reinsurance chain. It developeo into a market of last resort.

The underwriting expertise whicb these groups attracted was also equally variable.

While the more prudent companies hired their underwriters from the major European reinsurance rentres, others were not so selective. Underwriting losses soared, leading to the contraction and shakeout wbich is happening in Bermuda now.

Bermuda is now trying to esteblish order in its market. The Government is insisting *that all* Insuranca companies seeking to operate in the market should go before tha Insurance Admissions Committee. In the past it has only been neressary for insurers wbo plan to underwrite product liability or professiooal liability insurers wbo have had to be screened by the admissions committee.

The minister of finance, Mr David Gibbons, is planning tn *hold* regu*lar* meet*ings* with industry representatives to ensure that problems are identified as soon as possible.

John Moore

Growth on schedule but going is tough

Arab Insurance Group

THE Arab Insurance Group (ARIG) found it hard going during its first full year of operating in the international reinsurance business with bottom line profits during 1982 of $13.1m totalling less than half the income of $28.1m from the company's investment portfolio.

Nevertheless, growth appears to be on schedule with an estimated gross premium income during the year of around $90m. Delays in receiving statements of accounts have led to a booked figure of $41.3m and a net total of $39.4m following the purchase of reinsurance protection.

The company notes that it has acquired the capacity to quote and lead onshore oil, petrochemical and aviation risks. But it admits that last year's results reflected significant amounts of marine and aviation business and that management was in the process of developing other business "in order to achieve a more balanced risk portfolio."

In common with many other reinsurers ARIG decided in the light of *current market conditions* that it was not prudent to show a technical profit during 1983. *Reserves for* losses *incurred* but not reported, known as IBNRs, were given a $16.6m boost which left total technical reserves at the end of the year standing at $33.1m, equivalent to 84 per cent of net premium income.

ARIG is the largest insurance gronp in the Arab world and is owned equally by the Governments of Kuwait, Libya and the United Arab Emirates. Its anthorised capital *amounts to a massive $3bn* although to date only $150m has been paid np.

Registered as a Bahrain shareholding company it started reinsurance operations during the middle of 1981 with the aim of stemming the flow of premiums out of the Arab world.

In the future it bopes to make a significant impact in the direct insurance markets of the world.

Last year it derived 32 per cent of its business from the Arab countries and this total climbed to 53 per cent when the rest of the Afro-Asian market was included. European reinsurances contributed a further 15 per cent while the U.S. provided another 8.2 per cent. Reinsurance of a specified *risk*, known as faculative, represented about 40 per cent of the estimated gross written premium.

Domestic expansion the driving force

People's Insurance Company of China

A CONCERTED push for international insurance *business* continues at the People's Insurance Company of China, the state controlled monopoly insurer, fuelled by an expanding and profitable domestic market.

Last year's overall profit rose 67 per cent to Yuan 117m. The major contributor was domestic business wblch was restarted in 1979 after a 21-yeer hiatus. International reinsurance business was said to bave turned in a 1 per cent underwriting profit on a premium income of Yuan 261.8m.

The increase in insurance activity has been part of the *general expansion of* international trade and commercial agreements arising from the country's recent adoption of more pragmatic and modernising economic policies.

Increases in both domestic economic activity and international trade have led to e demand for more sophisticated coverages and the PICC now offers many of the types of insurance commonly found in the developed world.

Much of the demand for new classes of insurance hes come from the offshore exploration industry and for imports and exports in the new economic sectors. Additional types of insurance introduced in the last few years includes machinery breakdown, shipbuilding, employers' and prodncts liability and political risk.

The PICC bas developed reinsurance relationships with about 1,000 insurers and reinsurers in over 120 countries. Through these it ie able to swop business and the reciprocal exchange enables it to maintain a more balanced portfolio.

On the international front the PICC has entered into e joint venture with the American International Group to form the Bermnda-based China-America Insurance Company. This specialises in writing North American direct business and international reinsurance. The PICC is also a member of the South Place syndicate on the New York Insurance Exchange.

With their Lloyd's cachet brokers maintain a prominent role

Protected channel to London

THE REINSURANCE broker has not been popular recently. Some members of the reinsurance community see the intermediary as being responsible for bringing many of the market's ills upon it, by delaying payment of premiums, forcing down rates and exploiting unnecessary capacity. Scandals involving Lloyd's brokers have brought into question the whole conduct of international reinsurance.

Yet the broker enjoys an expanding share of the international market. The London market is still a prominent centre for the receipt of reinsurance, and one dominated by the brokers with their exclusive access to Lloyd's. It is estimated that around two-thirds of Lloyd's annual premium income now derives from reinsurance business.

This premium income is controlled by brokers who can broadly be divided into two categories — those who are subsidiaries, or part of, the major international insurance brokers, and the specialist reinsurance brokers.

In some cases specialist brokers have been taken over wholesale by, or formed associations with, larger brokers. Winchester Bowring, formerly A. G. Winchester and Co, and now 40 per cent owned by Bowring, is a case in point.

Stronger hold

Stewart Wrightson is in the process of acquiring Arbuthnot Insurance Services, whose principal subsidiary is Golding Collins, a specialist reinsurance broker. By this move Stewart Wrightson will not only boost its annual reinsurance brokerage from around £3m to £8m, but will strengthen its position in the UK and European markets where Golding Collins is well established.

The most prominent independent specialist reinsurance broker in the London market is Greig Fester. The company handles no direct business and its brokerage income in 1981 totalled £7.8m. H. J. Symons is another firm which handles almost entirely reinsurance business.

There has also been a tendency in recent years for individual reinsurance specialists to break away from larger companies, taking clients with them, to set up on their own. A

Brokers

prime example in the London market is the firm of Pearson Webb Springbett. Over 95 per cent of the company's business is reinsurance and 1982 brokerage income was around £5.5m.

The reinsurance broker's primary function is to find a market for his client. Since the war, new insurance companies have proliferated throughout the world. Initially, these companies rely disproportionately on reinsurance. In the developing countries in particular, the value of a broker who can introduce a client to the established reinsurance markets is immeasurable.

The potential communications difficulties that might arise between an insurance company in one of the developing countries and an underwriter in Lime Street can well be imagined. In these cases, the conduct of international reinsurance is totally impossible without brokers. The broker must be aware of the conditions, regulations and working practices of both the clients' and the reinsurers' markets. Detailed knowledge of conditions in clients' markets is increasingly important in the competition for business.

Insurers are dealing with risks of unprecedented size and complexity, and reinsurance programmes must be devised to cope adequately with those risks. Non-proportional reinsurance has seen enormous growth in recent years, partly because it is more suited than proportional reinsurance to the coverage of catastrophe or high level risks. The broker must provide his client with layers of excess of loss protection which is neither extraneous nor inadequate, and which is attractively priced.

Some would argue that the reinsurance broker's real role today is to take care of the big risks and place catastrophe covers, but not to arrange basic proportional treaties. A significant number of reinsurance transactions are, in fact, carried out directly between the insurer and the reinsurer.

But, following the toughest renewal season ever in London for proportional business, brokers' services are likely to be even more in demand for the placing of basic treaties. One of the most important services a broker gives to his client is the ability to place difficult business. The personal nature of broking, and the rapport which is built up between broker and underwriter, enables the broker to place business which the client could not. The same principle of personal contact also applies to the settling of claims.

Undue pressure

Brokers do sometimes put undue pressure on underwriters in the placing of risks and the settlement of claims. It is easy to see how this can happen where a few brokers control a disproportionately large share of the market or an underwriter relies unduly on a particular broker for his business. Although the ultimate sanction lies with underwriters, brokers must take a good deal of the blame for the rate slashing which has gone on in the reinsurance market.

Reinsurance brokers have not been slow to utilise new technology. No matter how good a broker may be at placing risks, accounts will not be retained if they are serviced inefficiently. Office automation, in allowing the quick and efficient production of placing documents, cover notes, wordings and accounts, becomes one of the broker's competitive weapons. In the long term, new technology also reduces the broker's expense ratio, an enormously important factor when rates, and therefore levels of brokerage, are low.

Brokers' handling of reinsurance premiums often leaves much to be desired. They are frequently accused by reinsurers of earning excessive investment income on other people's money. But again, the ultimate sanction lies with underwriters. Terms of credit are not enforced and need a radical overhaul. The fault for late payment can also lie with the client, and many brokers are increasing their bad debt provisions. On the other side of the coin, brokers are sometimes expected to fund the payment of claims to their clients and settle up with reinsurers later.

Brokers are becoming more involved in the assessment of reinsurers' security, and this is a service which clients will increasingly come to demand. Reinsurance overcapacity has meant the growth of fringe markets sometimes of a very dubious nature.

Many people in reinsurance espouse a sort of "big bang" theory, whereby a huge natural disaster will sort out the men from the cowboys. Although this doesn't show much sign of happening, last year and this a number of reinsurance operations have folded.

Two overseas reinsurers have disappeared from the London market so far this year. Instituto de Resseguros do Brasil closed its London branch after a run of disastrous losses, which was not helped by heavy involvement in reinsurance of the notorious Sasse syndicate.

The Reinsurance Company of Mauritius has gone into liquidation following capitalisation problems. Some 75 per cent of the company's business was written through its London contact office.

More reinsurers will go into liquidation over the next few years and clients are understandably nervous about the possible implications. Brokers are in a much better position than clients to assess reinsurers' security.

A company's balance sheet does not provide enough information with which to judge accurately that company's security. The broker's close contact with a reinsurer, and his day to day assessment of the company's underwriting philosophy and credibility, allows him to make a much more informed judgment.

Whether the services a reinsurance broker offers should include underwriting is a very contentious point. The removal of millions of pounds worth of assets from Alexander Howden and Minet was facilitated by reinsurance transactions with companies in which executives of the brokers are alleged to have had interests. Marsh & McLennan, the U.S. parent of Bowring, has sold off Bowring's underwriting subsidiaries, English & American and Crusader, after declaring that the company's primary function was to be a broker, not an underwriter. Given Lloyd's requirements for brokers to divest their underwriting interests, and the current climate of opinion, brokers' involvement in underwriting will diminish.

Greg Wood

UK representation for foreigners

WHAT IS sometimes misunderstood outside the UK is the extent to which the London agency and contact office market is or is not subject to regulation in the UK.

Any person or company can incorporate a UK company for less than £100, and operate as a UK registered company, including as an agency or contact office within the London market.

Whether or not such agency or contact office holds the pen of a foreign or UK insurer, the provisions of the UK Insurance Acts do not apply to the agency, but will apply to the insurance company in cases where the agent is authorised to accept business on behalf of an insurer.

This effectively means that there is no supervisory, regulatory or legal constraint or control upon non-Lloyd's London agency/contact market companies. Their only obligation is to pay an annual fee of £20 per annum for registration and filing of shareholder returns under the UK Companies Acts. Even if they are several years in arrears in filing the returns, the penalty is minimal if ever applied at all.

This uncontrolled simplicity in setting up and operating agency offices/contact offices within the London market has contributed towards the growth of the sector and to the type of person sometimes associated with the fringe of the market and no doubt to the problems of foreign companies in reconciling their perception of stability associated with "registered in the UK" and their day to day experience with some agencies and contact offices in London.

However, with the growing number of international problems and reported frauds in which a handful of London market intermediaries have reputedly been involved, the international insurance community is now looking more seriously at the status and nature of its London representation.

There has been a discernible move in two directions by foreign insurers seeking London representation: one being to seek representation through the larger more reputable agencies and brokers: the other, because of branch filing requirements, to move towards the formation of UK subsidiary companies.

The operations of foreign companies in the UK, and their relationship to agencies, may be distinguished by the different forms of possible UK representation:

(a) A branch office in the London market accepting business in the UK.

(b) Representation in the London market through an underwriting agent with underwriting authority.

(c) A UK subsidiary company *independent of*, but *owned by*, the foreign insurance company, which company may use full time staff or an underwriting agent.

(d) Pools.

(e) Other forms of representa-

Underwriting agencies

tion, including contact office, agency, broker, etc., where the insurance contract is not legally accepted within the UK.

Only in the cases of a, b and c is UK authorisation of the foreign insurer necessarily required from the Department of Trade. Such authorisation involves a serious application procedure, and the filing of annual returns under the Insurance Acts. In the case of a and b, it is likely to involve the filing, by non-EEC companies, of world-wide business returns in sterling.

This latter filing requirement has constrained many foreign insurers to move away from branch representation towards the formation of UK insurance subsidiaries, which are required to file only in respect of their UK activities.

Such subsidiaries may or may not then use the skills of the London agency market to carry out underwriting functions.

Foreign links

Those foreign insurers which continue to operate, however tenuously, through contact office telex machines, telephone calls, etc., are not subject to the Department of Trade regulations, provided the insurance contracts introduced through the London market agent are not legally accepted within the UK. This therefore allows, without the involvement of the UK supervisory authorities, acceptance outside the UK by telex or telephone, of contracts introduced through brokers, contact offices and agencies in the London market.

These remote links in the underwriting contract have introduced a possible anomaly (of which the Department of Trade and the fringe agents are fully aware, even if foreign insurers/reinsurers and intermediaries are not): business may be obtained by a foreign insurer/reinsurer through a London market agency which may arrange for technical acceptance of the business outside the UK jurisdiction, possibly through its own associated tax haven company, although in practical terms the market may be aware that the agency or contact office or representative in the UK is in fact accepting the business.

Where underwriting takes place within the UK in those circumstances then the Department of Trade is an interested party and it could theoretically take legal action. It is not the agent, but the agent's principal (i.e. the insurer/reinsurer) who is subject to the legislation.

Where London agents are used in an underwriting rather than contact office capacity then returns are required to be filed. The type of Insurance Act returns to be filed by, or on behalf of, insurers and reinsurers, depends upon the status of the company concerned.

Once it is established that the company or branch should be authorised, then the type of return filed depends upon whether such a company is a UK branch of a company with a head office within, or external to, the EEC. Non-EEC foreign companies operating in the UK through an agency, with authority to underwrite, will be required to disclose and file returns in sterling in respect of both their global business and their UK branch business.

This of course has influenced the type of structure which foreign companies are now using to set up their UK representation.

Although the reputation of the *London market*, or more specifically, the reputation of individuals within the fringe of the London market, has suffered not only from frauds and scandals, but also from spin-off effects from the Lloyd's troubles of the past 18 months, and from the statements emanating from competing markets, foreign insurance and reinsurance companies are obtaining profitable London representation by following the simple rules of business prudence: choosing reputable agents and insisting upon formal agreements requiring regular reporting of audited data.

New foreign entrants to the London market should be advised to use the reputable broking houses or established *agencies*, either in an *underwriting* or contact capacity, depending upon circumstances and requirements.

If reliance on reputation is not sufficient, then corporate and financial details of all London market intermediaries are available from independent analysts in London.

Peter Anderson

The author is chief executive of Financial Intelligence and Research.

REINSURANCE V

Balancing results by spreading risks geographically is becoming increasingly difficult, says **Peter Stokes**

Uniform trend emerges

THOSE WHO believed in a regular cycle in the world insurance and reinsurance markets have long since been disillusioned by the duration and extent of the present phase of soft premium rates. Depressed economic conditions around the world, coupled with the cash-flow attractions of high interest rates, have perpetuated the imbalance between capacity and demand way beyond the period that has been normal in the past.

A number of exceptionally heavy catastrophe claims in 1979-81 did little to dent market overcapacity, and even now—when there is clear evidence that the size of underwriting losses throughout the industry can no longer be accepted—the buoyancy of the world's major stock markets has taken the pressure off insurance company balance sheets and thereby delayed still further the withdrawal of surplus capacity.

Nevertheless, evidence is now at last appearing in most of the world's insurance markets that the corner has been turned. Marginal capacity is coming under increasing pressure, treaty reinsurance terms are being tightened quite significantly and rates for direct and facultative business are rising.

This trend is still far from producing any marked improvement in the results being reported by insurance and reinsurance companies, but there is growing confidence that 1984 and 1985 will see the long-awaited return to sound underwriting results for leading companies.

One of the most significant trends in the international insurance and reinsurance markets in recent years has been the growing uniformity of conditions throughout the principal territories making it virtually impossible for the leading companies to offset bad results in one market with good results from another.

Mr Horst Jannott, chairman of the board of management of the Munich Re, has described the phenomenon in this way.

Simultaneous

"The individual industrial nations have become so interwoven in many areas that their most important economic indicators exhibit a largely similar trend and their macroeconomic development moves largely in parallel. This considerably impairs the regional balancing of reinsurance results and increasingly gives weight to the risk of change, which is now making itself felt no longer within just one country, but more and more often in a large number of countries simnltaneously."

By tha term "risk of change," Mr Jannott means such factors as tha consequences of the general increase in wages and prices for losses and claims costs, technological developments, the incidence of crime and the level of legal ewards in tho employers' and *product* liability areas.

These factors, rather than the occurrence of e series of natural catastrophes or disastrous losses, have produced the most serious problems for the industry in the recent past.

In the U.S., the past year has seen underwriting losses reach extraordinary levels which bave at last prompted some *fundamental changes* in attitude *on the part* of both direct insurers and reinsurers.

Collectively, the U.S.'s primary insurers last year recorded a combined ratio of nearly 110 per cent, and the reinsurance sector had its worst *ever year* with *a combined* ratio of ebout 115 per cent, implying no better than e break-even result at the bottom line.

With U.S. interest rates seeming set to continue their downward trend earlier this year, and a number of *major insurers* running into losses even after crediting investment income, it became apparent that those companies which had been chasing premium growth most aggressively were suddenly pulling back sharply.

Regional review

Insurers with a heavy weighting in personal lines were best placed, since it proved possible to impose premium rate increases in these lines of around 15-20 per cent in 1982 and a further 10 per cent this year.

In commercial lines conditions have remained more difficult, but there have been signs of greater selectivity and an increased awareness of the need to establish a prudent level of technical reserves.

Primary insurers have been increasing their net retentions, thereby reducing the overall volume of reinsurance premiums in the market, but reinsurance capacity—swollen by the developing New York Insurance Exchange and the inroads of foreign reinsurers—has yet to contract to any measurable extent. There have been efforts by the U.S. reinsurers to increase their penetration of overseas markets, but these have been constrained by fears of exposure to further heavy losses.

Canada is often lumped in with the U.S. in reviews of the insurance markets, but it is very different in kind. For one thing, the Canadian market is dominated by companies which are subsidiaries of large groups based outside Canada. This tends to undermine self-discipline at times of intense competition.

In addition, the market is characterised by a strong intermediary presence in the personal as well as the commercial lines. This also has the effect of eroding the premium rate structure.

Underwriting losses in *Canada* reached their peak last year, and the leading companies were finally obliged to cut back their premium writings sharply and impose further stiff rate increases.

So far this year the benefits have been seen in much reduced underwriting losses, but the commercial lines are still producing serious problems and few participants in the Canadian market would expect the tightening of *conditions* to remain effective for much more than a year.

South America is one of the areas of greatest instability in the reinsurance market. Exposure to loss is high for climatic reasons alone, but also because of social and political conditions. Recent years have seen heavy catastrophe damage in the Caribbean, and the domestic insurance and reinsurance capacity in that area is now looking extremely vulnerable.

In many cases, companies continue to function solely because of the extended credit terms they have been receiving under treaty arrangements. With these now being tightened up, their future is looking dim.

The Caribbean is indeed one of the areas of marginal capacity where contraction *could be most noticeable* over the next year or so.

Difficult

In South America proper, the national insurance and reinsurance companies were encouraged to take on foreign business for foreign exchange reasons, but when cash flow on this business turned negative, it became imperative for some of these companies — notably Brazil's IRB — to withdraw from the London market.

Europe is in some ways the most persistently difficult market of all. Most of the individual national markets are highly regulated, making it difficult for insurers and reinsurers to respond quickly to claims experience even if competitive conditions permit.

Motor business has been particularly troublesome in most countries, and quota share motor reinsurance treaties have represented a substantial part of the European business of such leading companies as the Munich Re and Swiss Re.

During 1981 many chronically loss-producing quota share treaties were cancelled, and motor rates subsequently started to firm in many parts of Europe.

Fire remained highly competitive, however, and the heavy losses experienced in most countries, but particularly in Germany, have led to the beginning of a tighter underwriting policy.

In the UK, which no longer enjoys its former dominance as the centre of the world reinsurance market but is still of key importance within that market, the signs of hardening conditions have been most unmistakeable.

Much publicity was given late last year to the sudden imposition of tighter conditions by London market reinsurers for renewal of proportional treaties, which caused a significant dislocation of the renewal timetable.

It was not a question of premium rates, but of terms and conditions relating to credit periods, remittances and general accounting practices.

The establishment of the Policy Signing Accounts Centre has been of considerable importance in this connection. The *end* result was that a *significant* amount of proportional treaty business was not renewed at the turn of the year.

Support

Since a major function of treaty reinsurance is to enable insurers to write business which their capital is not adequate to support, this clearly has crucial implications for a general contraction of marginal insurance capacity.

UK personal lines business has in any case been producing better results than can be achieved almost anywhere else in the world, and the extremely *damaging competition* in the commercial classes — sharpened by the inroads of foreign insurers and reinsurers — now seems to be easing somewhat.

Australia produced losses after investment income in 1981 comparable to those sustained in Canada, but the shock caused in the workers' compensation market by the Barrell decision prompted some very sharp rate increases and a number of withdrawals from the market.

Even so, the contraction in the number of primary underwriters in the market has not been as great as anticipated, and rate competition in the property classes remains intense.

As with Canada, recent improvements in underwriting results are not regarded as likely to be sustained, particularly in view of the current serious economic problems in Australia. Insurers and reinsurers have also had to absorb the impact of the bush fire losses in February.

The Far East is seen by all the established insurers and reinsurers as a growth market, but in the most developed single market in this area — Japan — the build-up of capacity at e time of sluggish economic growth has produced problems comparable to those elsewhere in the world.

Demand for insurance and reinsurance is still growing, however, in the secondary territories of South East Asia, and the People's Republic of China has become much more active in the reinsurance market, both inwards and outwards.

The Middle East has slowed down substantially as a result of the economic pressures which *have developed* along with falling or stagnant oil revenues. In addition, the Arab world has sought to develop its own position in the reinsurance market as a counterweight to Lloyd's.

Inevitably, however, early experience has been adverse, and the rate of expansion of Arab reinsurance capacity has so far lagged considerably behind that which was initially intended.

Finally, South Africa has regained some semblance of its normal stability after the heavy losses of 1981, which were partly due to excessive competition in the motor market and partly to a bunching of large losses.

Fire reinsurance is still giving cause for concern, as is the general economic picture and high level of interest rates in South Africa at present, but this is at least a market with much greater self-discipline than Canada and Australia.

1982 RESULTS OF 50 LEADING U.S. REINSURANCE GROUPS

Company	Policyholders' surplus (reinsurers only) ($'000)	Net reinsurance premiums written ($'000)	Net reinsurance premiums earned ($'000)	Losses and loss adjustment expenses incurred ($'000)	Ratio of losses to net reinsurance premiums earned (%)	Underwriting expenses ($'000)	*Ratio of* underwriting expenses to net reinsurance premiums written (%)	Combined ratio 1982 (%)	Combined ratio 1981 (%)
Allendale Mutual		22,869	22,779	20,372	89.4	6,098	26.7	116.1	94.2
American Agr. Insce. Co.	56,130	70,077	66,380	55,724	83.9	12,233	17.5	101.4	07.2
American Independnt. Re	26,980	60,064	55,399	44,813	80.9	19,176	31.9	112.8	102.9
American Re	293,807	368,684	354,418	273,892	77.3	134,686	36.5	113.8	114.2
American Union	33,790	43,559	42,163	32,772	77.7	14,214	32.6	110.3	105.9
Bellefonte Re Insce.	46,269	41,547	40,804	39,384	96.5	12,007	28.9	125.4	130.8
Buffalo Re	86,161	62,929	62,973	46,931	74.6	18,932	30.1	104.7	104.6
Christiania/Switzrlnd. Gp.	21,841	42,683	41,375	32,771	79.2	15,668	36.7	115.9	106.3
Commercial Union Re	39,724	31,031	32,121	30,273	94.2	9,562	30.8	125.0	105.8
Constellation Re	35,952	73,058	71,776	51,664	72.0	26,630	36.5	108.5	109.5
Constitution Re	50,214	130,155	124,172	103,625	83.5	43,891	33.7	117.2	108.8
Constitutn. State Mgt. Co.		57,897	61,646	53,992	87.6	17,854	30.8	118.4	106.0
Contntl. Cas./Reins. Dept.		55,142	64,318	46,642	72.5	17,094	31.0	103.5	101.2
Elkhorn Insce. Co.	24,435	23,277	22,006	19,900	90.4	7,242	31.1	121.5	111.9
Employers Re	358,377	466,352	468,065	378,055	80.8	121,668	26.1	106.9	104.2
Farmers Mut'l Hail, Iowa		21,386	20,623	17,289	83.8	6,417	30.0	113.8	98.3
Fremont Re/Fremt. Ind.	43,583	68,791	70,933	59,722	84.1	19,780	28.8	112.9	114.6
Genl. of Trieste & Venice	15,544	27,085	24,972	18,958	75.9	8,840	32.6	108.5	105.7
General Re Group	742,518	830,499	822,476	593,063	72.1	246,398	29.7	101.8	99.1
Gerling Global	35,004	48,209	48,102	35,312	73.4	18,641	38.7	112.1	108.7
Grinnell Mutual		27,823	27,800	22,761	81.9	4,237	15.2	97.1	105.3
Hanseco Insce. Co.		113,775	98,902	90,229	91.2	8,562	7.5	98.7	99.3
Highlands Insce. Co.		22,328	22,198	19,390	87.4	5,728	25.7	113.1	111.0
Home Insce. Co./Homa Ra		78,887	77,072	59,589	77.3	23,172	29.4	106.7	92.7
INA Re	155,721	293,959	282,130	207,962	73.7	105,043	35.7	109.4	103.9
Kemper Re	108,778	133,378	135,905	110,843	81.6	33,809	25.3	106.9	105.6
Mercantile and General	27,187	20,960	19,391	14,481	74.7	7,361	35.1	109.8	109.8
Metropolitan Re	50,336	47,558	44,496	39,260	88.2	16,534	34.8	123.0	107.7
Munich Re Group	112,974	208,160	207,115	160,517	77.5	71,323	34.3	111.8	102.9
National Re	72,280	72,686	88,075	91,611	104.0	16,106	22.2	126.2	109.9
Nationwide Mutual Insce.		41,580	47,875	87,910	79.2	10,528	25.3	104.5	106.0
New England Re	37,117	60,409	51,401	43,247	84.1	13,406	22.2	106.3	105.0
New York Ins. Exchange	158,970	106,032	85,455	66,923	78.3	37,922	35.8	114.1	110.6
North American/Swiss Re	276,628	511,411	516,597	438,142	84.8	127,791	25.0	109.8	105.6
Ntheastn. of Htfd./1st Re	42,112	59,104	60,824	51,680	85.0	18,958	32.1	117.1	107.7
Philadelphia Re	23,342	36,881	40,624	35,597	87.6	11,865	32.2	119.8	116.4
PMA Re/Pa. Manuf.	15,207	23,230	22,748	17,553	77.2	7,548	82.5	109.7	102.1
Prudential Re Group	194,811	426,673	434,746	326,366	75.1	108,304	25.4	100.5	101.9
Reinsurance Corpn. of NY	36,447	55,179	55,161	46,305	84.0	19,985	36.2	120.2	108.5
Republic Wstn. Insce. Co.	33,691	21,763	32,668	27,429	84.0	3,166	14.5	98.5	93.0
San Francisco Re	25,455	25,200	18,248	15,061	82.5	8,791	34.9	117.4	—
SCOR Re	23,579	38,969	37,354	28,588	76.5	14,485	37.2	113.7	110.3
Security Insurance Group		22,673	21,463	17,347	80.8	7,162	31.6	112.4	105.4
Skandia America Group	110,426	183,410	174,579	135,991	77.9	60,886	33.2	111.1	104.7
Transatlantic Re	127,939	132,422	130,639	108,744	83.2	38,148	28.8	112.0	103.5
USF and G Group		76,874	75,920	54,394	71.6	20,043	26.1	97.7	86.3
Unity Group	29,393	40,514	39,093	27,823	71.2	14,948	36.9	108.1	106.9
Universal Re	63,734	70,615	77,474	79,866	103.1	18,022	25.5	128.6	120.6
Weusan Insce. Cos.		36,444	35,440	36,098	101.9	9,624	26.4	128.3	125.2
"Winterthur" Swiss	72,228	75,933	77,350	68,061	88.0	19,284	25.4	113.4	117.3

Source: Reinsurance Association of America

Vetting the security of reinsurers is assuming greater importance

Central data plan revived

WHEN, AS now, competition for business is at its most intense in both direct insurance and reinsurance markets, all the players in the game feel the need for reliable means of supplementing in-house resources for assessing the security underlying transactions in which they may be involved.

Vetting the security of an unfamiliar underwriter or reinsurer has traditionally been considered the province and responsibility of larger brokers and their security committees and departments. Today the interested parties are throughout the insurance/reinsurance system, ranging from the original insured's buyer or risk manager, through primary insurers, intermediaries, main reinsurers, all sorts of agency/pool and offshore managements to the remotest retrocessionsire.

In a suspicious world and troubled markets — which still contrive to work well for 95 per cent of worldwide transactions — all these same players can reckon being themselves the subject of security analysis and scrutiny from other parts of the chain. Security assessment, once thought of as largely an upstream activity, must now address downstream participants as well.

The 1970s and early 1980s in particular produced many events and developments affecting the reinsurer security question: the headlong formation of capacity, offshore and on, "innocent" and otherwise; the insolvency of the large U.S. intermediary Pritchard and Baird; the failure of a number of large-scale pool arrangements; and, most recently, irregularities and difficulties surrounding the outward reinsurance of a number of Lloyd's syndicates whose managements were controlled by leading brokers.

Security assessment

These events and the increasing complexity of the international reinsurance system led, among other things, to a new interest among responsible insurance professionals in increasing the reliability and standardisation of company status and performance services, whether in-market or bought-in.

Specific

The idea of a worldwide reinsurance security centre, or at any rate one revolving round the London international market, was put forward six or seven years ago.

At a Reinsurance Offices Association international seminar in 1979 it was coolly received, not only on the grounds of cost and lack of expertise but also because the ideal system would have needed to include specific details of reinsurers' outward reinsurance protections in the security tests, and because of the danger of prompting widespread litigation for business defamation.

Many in-market proposals for centralised company status monitoring have had in mind the insurance industry's need to build self-imposed standards of conduct to fend off government intervention and restrictive legislation.

The ROA itself is trying to build up a code of conduct and standards which will stand some chance of acceptance and implementation. But not before markets in several territories (including Lloyd's underwriters) have had to agree to a level of disclosure on outward reinsurances that would have been unthinkable a few years ago.

The central, market-sponsored security database idea, however, has now popped up again, though this time on a less than worldwide scale.

It is based, several brokers told us, on an evident increase in the willingness of brokers, under present market conditions, to exchange all but the most competitive and sensitive security information about the reinsurers and downstream ceding underwriters with which they do business.

This month, A. V. Alexander, chairman of the British Insurance Brokers' Association, confirmed that BIBA was proposing a central bureau for the analysis of financial information from insurance and reinsurance companies on behalf of any member-broker who wishes to use the facility. BIBA is now examining how this service might be implemented.

In general, however, attempts to establish market-acceptable scientific security analysis services have been driven by outsiders — insurance publishers, stock market firms, corporate analysts, accountants, and lawyers.

Most but not all have used as their starting point the old-established systems of the famous A. M. Best company in New Jersey which, however, has traditionally done a rather different job on fully admitted insurers in the North American market only.

Reinsurance business nowadays finds its way to little known underwriters in countries not thought of as prominent insurance markets. But most of the "new" security analyst firms have found that international incompatibility of reporting and accounting practices means that they at least start out concentrating on their home territory or on a restricted range of markets.

The names are by now mostly familiar. Probably first in the field in extending U.S.-style analysis systems to more international coverage was the firm of professional banking analysts Conning & Co; and International Insurance Financial Service, also of the U.S., launched by Michael Myron and his partner, Robert Daum, a leading insurance consultant who, among other things, has been involved in the development of the Florida Insurance Exchange.

Conning became known in the London market when, several years ago, it went into partnership with its affiliated firm, Fox-Pitt Kelton, to produce the initially London-market orientated loose-leaf Insurance Security Service.

Conning and Fox Pitt Kelton have since parted company. Fox Pitt is now developing its own computer-based cumulative hard-copy service providing data sheets for more than 500 companies in nine territories, including the UK (240) and Bermuda (60). Conning, meanwhile, has re-started in Europe with Axco-Conning Ltd., under Alex Cockburn, a former Bermuda operator. This, however, is more of a market territory intelligence service, but with leading companies in each country analysed.

Axco has so far brought out only a few country surveys, but plans to increase this to about 50 by the end of 1983 and to 100 next year.

Purely London company-based so far, but with international plans in the pipeline, is the experienced firm of corporate analysts, Financial Intelligence and Research of London. Over the past two years, FIR has been adding in-depth analyses of insurance and reinsurance entities to its existing work on banks, other deposit-takers and commodity brokers.

Insight

A feature of the FIR services is the firm's insistence on reliance on original regulatory returns (for UK insurers, both Companies Acts and Insurance Acts returns) and on deriving ratios and rankings strictly from these. It has applied this principle to updatable reports on Lloyd's underwriting agencies and Lloyd's brokers' operating companies and subsidiaries, and to the latest edition of its London Market Reinsurers (150 companies) now being issued through FT Insurance Information Group.

Elsewhere, a different insight into the status and performance of Lloyd's and general broker/underwriter groups, though mainly at holding company level, can be obtained from an annual publication of Inter Company Comparisons Ltd.

At the end of the day, it is a case of "buyer beware," not because the available "outside" security services are anything but excellent but because the producers may not even claim to satisfy your company's particular need in the security vetting field.

Up-to-date (and up-datable) outside technical analysis systems can normally provide an answer to the basic security question: "Is the reinsurer I am looking at solvent enough and well enough backed financially to be able to pay my claims (and others) in relation to the maximum possible loss it has assumed from the market?"

The better services are beginning to answer many other questions which may not be answered in the company's printed annual report (if there is one) but only in the time-consuming regulatory returns: make-up of assets admitted for solvency; breakdown of business written, by class and length of "tail"; reserves position, notably IBNR; and (nowadays, increasingly) proportion of business retained for own account versus the types and volumes of outward reinsurance protection purchased.

Additionally, official and semi-official bodies in a number of territories publish what amount to statutory returns, company by company, obviating the need for overseas agents to search those returns.

At the end of the day, however, security assessment falls into two main parts: quantitative analysis, which the commercial security services and others handle; and qualitative intelligence, which they don't.

Most bought-in services can provide the primary tool for deciding whether your reinsurer will pay up, and may give you an early warning of any developments to the contrary that can be expressed in numbers and ratios. But they won't tell you whether he is willing to pay or intends to settle under given circumstances. And statistical data cannot say whether he is a true professional in any particular marketplace or class of insurance, is committed to continuity of business, or has been accepted as reliable by others in this complex business.

J. J. Pryor

The author is manager of the FT Insurance Information Group.

DTI intervention hitting hard

REINSURERS operating in the UK are also facing what appears to be a growing number of problems connected with their life and other long-term insurance business. These problems arise not only from the changing business climate in which they operate, a climate that gets ever more competitive, but also from the expanding role being undertaken by the central authority in the control of insurance business in the UK.

The 1982 Insurance Companies Act introduced sweeping changes into UK life assurance practice. As from March 15, 1984, insurance companies will have to hold a specific solvency margin for their long term business and the formula is set out in the regulations. This contrasts with the current practice whereby the actuary in valuing long-term business implicitly allows for solvency by the margins in his valuation bases.

The Act implemented the EEC life directive and related solely to direct life assurance business. This in itself caused considerable misgivings among certain UK life companies and some actuaries had considerable misgivings over this change which moved the control of life business towards a continental style.

But the Department of Trade and Industry, which is responsible for insurance business in the UK, makes no distinction in its legislation between direct business and reinsurance whereas, in other EEC countries, there is separate control. The result was that the solvency provisions apply equally to reinsurance business as they do to direct long term business.

The reinsurance companies operating in the UK were able to secure amendments to the solvency margin formula which impose less of a burden on them.

But the position is still far from satisfactory for UK reinsurers. The feeling is expressed by Mr C. J. Baker in his chairman's statement accompanying the 1982 report and accounts of Victory Insurance Holdings.

He said that UK reinsurers faced the unfavourable impact of minimum solvency requirements deriving from the EEC life directive, which would place a heavy burden on companies concentrating on risk business—the business which predominates in a life reinsurer's account.

Mr Baker said that in other EEC countries life reinsurers do not have to meet these requirements.

The reinsurers are continuing their discussions with the DTI, but there are no signs that further concessions have been obtained and time is getting short.

Indeed, the effects of this competitive disadvantage are already being keenly felt by UK reinsurers as the life reinsurance market follows its non-life counterpart in becoming "soft" through overcapacity.

Life assurance

Mr Baker refers to the major growth area in direct life business in the UK being the launch of the new generation of flexible unit-linked whole life products. These plans which combine protection with savings could well be the life assurance products of the future. The UK reinsurers benefit from the risk premium reinsurance arising from the plans.

It is already proving to be big business with a growing number of contracts being taken out for very high amounts of cover.

Hambro Life Assurance, the largest linked life company in the UK, has been to the forefront in the development of these new plans and recently launched the first second-generation product, called the adaptable whole life plan.

But besides the innovations shown in the design, Hambro Life caused a few ripples in life reinsurance circles by negotiating very competitive reinsurance terms.

Successful

This involved Hambro Life putting out the reinsurance treaty to tender—a rare practice in the UK. The other surprise was that Kolnische Ruck, known as Cologne Re — secured the treaty.

Up to now, Cologne Re's involvement in the UK life reinsurance market arose mainly through its association with Victory. But Cologne Re is now endeavouring to expand its London life reinsurance presence.

It has made a successful start through the Hambro Life contract, though certain others in the reinsurance market hinted that the premiums quoted could not be justified and that Cologne Re was buying itself into the London life reinsurance market — a practice quite common for non-life business.

Both Hambro Life and Cologne Re insist that the premiums are based on correct business principles and the lower charges reflect the considerable amount of administration being done by Hambro Life itself on the reinsurance aspects. Cologne Re at present does not have a life department in London and all life operations are controlled from Cologne.

This example highlights the changes taking place in UK life reinsurance practice. Firstly, the direct life companies are using their marketing muscle to secure the best reinsurance terms.

Secondly, the direct insurers are taking an active part in scrutinising the basis on which terms and premiums are made by the reinsurers.

Thirdly, the direct life companies are integrating part of the reinsurance administration with their own administration and expect this to be reflected in the premiums.

But this integration of direct and reinsurance business is not just one way traffic. For many years, the life reinsurers have been more and more involved in the operations of direct life companies in a variety of means.

The primary objective of life reinsurance is to spread the risk arising from the death of the life assured.

The reinsurers, in dealing with a host of direct life companies, have a very wide pool of experience on various mortality risks. Thus all the major reinsurers have produced quite comprehensive underwriting manuals which the smaller recently established life companies must find extremely helpful.

Finally, life reinsurers are watching very closely the latest development in direct life assurance practice—the marketing of policies which are not underwritten in that ordinary rates are charged irrespective of the state of health of the life assured. These policies are being issued in connection with mortgage repayment, the theory being that the saving in expenses more than cover the extra mortality risk.

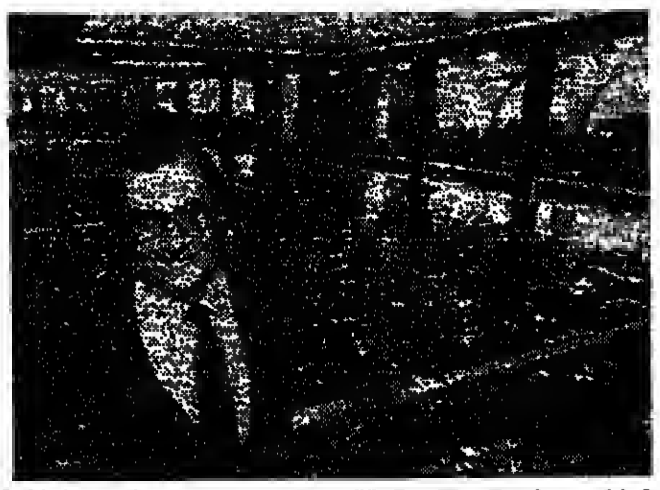
At present, cover under these plans is restricted to £50,000 a comparatively low figure so that reinsurance is not required. For it is very doubtful if reinsurers *would offer terms without medical evidence.* Munich Re has gone as far as to issue life companies with its estimate of the effect on mortality claims of throwing the underwriting manual out of the window.

Eric Short

Lloyd's is still in the throes of putting its house in order.

Reforms have yet to prove their efficacy

Lloyd's of London



Mr Ian Hay Davison, chief executive, on the balcony above the Long Room. He wants a code of conduct rather than bye-laws.

LLOYD'S OF LONDON, one of the world's most important reinsurance centres, is fighting its worst ever crisis in its near 300-year history. A series of scandals which surfaced last autumn and bava occupied much of the time of tha ruling authorities of the Lloyd's market this year have challenged the way in which Lloyd's operates and threatened its position in world reinsurance markets.

Two of the market's largest firms of insurance brokers, Alexander Howden Group and Minet Holdings, and their Lloyd's underwriting agency interests, are now the subject of Department of Trade and Industry and City of London Police fraud sqnad inquiries.

Other situations on a smaller scale have emerged during the last year at Lloyd's where money belonging legally to the Lloyd's private membership, which provides the capital to allow Lloyd's to function, has been diverted to companies secretly controlled by the professionals which look after their affairs. In one instance, Lloyd's has found that agency and trust law has been breached.

These transactions, which have led to the allegations, have all been carried out under the guise of reinsurance. Tha companies to which tha money has been diverted through reinsurance transactions have been described as reinsurance companies.

In Lloyd's these activities have evolved over many years as part of the custom and practice of the market. Reinsurance at Lloyd's has been used in a variety of ways other than merely to lay off risks which the market cannot support.

For instance, reinsurance has been used to provide a warehousing arrangement for the premium income of Lloyd's syndicates. Professional underwriters of those syndicates which have taken on enough business to bring the syndicates near to their capacity limits set by Lloyd's have passed some of the premium to a reinsurance company owned by the interests of the underwriting agent managing the syndicates.

In this way the premium income of the syndicate is redneced for the purposes of remaining within Lloyd's limits. The money can always be returned to the syndicate at a later date under a contractual arrangement or through the arrangement of a reinsurance contract from the related company back into the syndicate once the syndicate is within its premium limits.

Within the Lloyd's community reinsurance has been used for tax avoidance purposes. Professional underwriters for profitable syndicates may decide to "equalise" or "smooth" the profits of those syndicates between one underwriting year and the next. Once their normal protections are arranged through conventional reinsurance cover they bave often arranged another reinsurance contract, usually with a related interest of the underwriting agency which manages the affairs of the syndicates, which takes out premium from the syndicate and places it in a "rollover" fund of the related interest. In this way the reported taxable profit of the underwriting member is reduced.

Under a contractual arrangement the premium can be returned to the underwriting syndicate in a later underwriting account thereby smoothing the flow of profit reported for Revenue purposes.

But it was a fear that the capital base of Lloyd's—the 21,000 or so members who pledge all their wealth to allow the market to function—could be abused through the freedoms of the Lloyd's market that have led to a wide range of changes in the past year.

The Bank of England, supported by the Department of Trade and Industry, asked Mr Ian Hay Davison, a senior accountant with Arthur Andersen, to become Lloyd's first ever chief executive at the end of last year to steer Lloyd's through its troubled period. His entry to the market virtually coincided with tha arrival of Lloyd's new self regulatory powars backed by an Act of Parliament which was passed last summer, Lloyd's first major legislative change in more than 100 years.

Since then a range of changes have been introduced and planned in order to stamp out abuse within the market and protect the interests of the 17,000 or so members who do not work in the market. Among the reforms are:

- Control of premium income. The premium income calculated for premium income limit purposes will be based on gross premium income rather than a premium income figure net of reinsurance arrangements.

From 1984, when the arrangements coma into force, an underwriting member will no longer be able to increase his underwriting capacity in the market by the use of reinsurance. An "early warning" system is to be introduced to detect potential overwriting on an underwriting account.

- Underwriting agents will bave to disclose their interconnecting business interests which carry oot transactions with syndicates under their management on two registers—an underwriting agency register and a ceotral register, the latter held by Lloyd's.
- The audit and accounting practices of the market are being reviewed.
- All Lloyd's insurance brokers are required by the 1982 Act of Parliament to divest themselves of their shareholding links with Lloyd's managing agency companies by mid 1987. Lloyd's has ruled that control of the managing agencies should be within the jurisdiction of the market's ruling council.

Not less than two thirds of the voting power should be beneficially owned by the working members of the market, Lloyd's bas said, and the market's professionals should form not less than two thirds of the directors, providing tha professional representatives do not include a broker.

- Rules for brokers are under consideration. Lloyd's has beeo studying the requirements for brokers before and after their admission to the market. It is also considering introducing a five year review procedure.
- Rules governing binding authorities, delegated mechanisms given by underwriters to outsiders in order to prodoce business for the market, are planned.
- Lloyd's central fund—a fund of last resort designed to protect the interests of Lloyd's policyholders — is being strengthened. The fund currently stands at a gross £120m and Lloyd's plans to increase the levy on the membership to a maximum of 0.45 per cent of their gross premium income before the deduction of outward reinsurance premium.

Draconian

For the moment some of the reforms contemplated and implemented have solved one or two of Lloyd's more pressing problems. As Mr Davison took office he met with officials of the British Inland Revenue wbo warned that they proposed a draconian investigation into the affairs of Lloyd's. Mr Davison told the Revenue that the tax privileges of Lloyd's wera fundamental to the success of the institution and it was vital that the privileges should be retained.

The Revenue were beaded off by Mr Davison's proposals for greater disclosure in the market which would at least allow the Revenue to identify where there had been any abusa by underwriting agents of tha tax privileges.

But other more serious issues face the market. Two-thirds of Lloyd's £3bn of premium income is accounted for by reinsurance business coming into the market, to a large extent from the U.S. Reinsurance activity has been unfettered by onerous rules and regulations by authorities world-wide.

Moreover, tha efficieot and effective transaction of reinsurance business relies on the speed in which individual deals can be arranged in order to provide continuity and security in the world's risk-bearing markets.

Already Lloyd's market share bas been declining for years in general insurance business, although it still retains its market dominance in marine insurance business, holding a 20 per cent share of the world's marine premiums.

At the same time, against its background of troubles and controversy, Lloyd's has to introduce a framework of regulation within its market which will support confidence among its major users and ensure that the security of the market is not undermined by tha misuse of the funds of Lloyd's members, who have to use those funds to meet insurance claims and provide tha security to Lloyd's policyholders.

In order to reconcila these two contrasting demands Lloyd's is now attempting to evolve a system of codes of conduct rather than a strictly codified system of self-regulation under a system of bye-laws. Lloyd's fear the second alternative may prove too inflexible and too draconian and inhibiting on the Lloyd's professionals.

This new concept has yet to be implemented and tested. The only problem under the contemplated system of codes is that they are not legally enforceable or regarded as conclusiva evidence by a court of law in the event of any alleged breach.

Lloyd's has warned that if the codes prove to be ineffective then the council would bave to consider transforming the codes under which persistent breaches have taken place into bye-laws.

Yet unless Lloyd's evolves an effective structure of self-regulation, supporting the security and well-being of the community, business may well by-pass the market whether or not Lloyd's is successful in maintaining its jealously guarded flexibility and freedoms.

John Moore

Challenge from North America

London Market

THE PRE-EMINENCE of London as a reinsurance centre no longer goes unchallenged. The challenge, however, comes not so much from the "Lloyd's style" insurance exchanges now being set up in the U.S. (the New York Insurance Exchange, the Insurance Exchange of the Americas in Miami and the exchange in Illinois) but from North American reinsurers as a whole.

Already, the requirements of North American direct insurance can be handled at home. Significant reinsurance business, however, continues to come to London, along with direct business which does not fit readily into a domestic portfolio — Lloyd's famous "one-offs" — or new types of risks such as satellites. When such risks become more conventional, they will inevitably return to their home markets.

From the North American viewpoint more on-the-ground intelligence is needed if London is to continue to service successfully the reinsurance business it attracts. London has experienced problems by giving underwriting authority to people in North America who have misused the devices. More monitoring of risk as it passes along the reinsurance chain is required. Since the enormous expansion of reinsurance over the last decade, the willingness to trust must be backed up with a willingness to maintain satisfactory security.

U.S. interest in London has, of course, been shown in its buying into the market, with Marsh and MacLennan's purchase of C. T. Bowring the obvious example. The subsequent sale of Bowring's underwriting agencies was as much Marsh Mac's response to difficulties in combining broking and underwriting as a demonstration of its commitment to divestment.

The trend goes both ways, however. On a smaller scale, British companies such as Pearl Assurance and National Employers Mutual General have taken stakes in individual syndicates on the New York Insurance Exchange.

Sun Alliance earlier this year switched the first layer of its worldwide property catastrophe cover into the North American market. UK firms are ready to move business west if the price and conditions are right.

Gaining "entry to the club" can be difficult for foreign reinsurers setting up in London, and newcomers may find it difficult to make a mark. Brokers may offer highly risky business to test a newcomer's strength. Some overseas reinsurers view London as a market that can be dabbled in, and this can be dangerous.

Offices need to be competently staffed, and the parent company must not be impatient. Even with such caution, reinsurers can find themselves badly burned.

IRB UK, for example, the London branch of the semi-state Instituto de Resseguros do Brasil, Rio de Janiero, suspended its London business last December after incurring losses, largely on marine account, thought to be up to US$200m. CAJA Nacional, Argentina, which set up a London office in 1979, closed the office in July. ARIG (the Arab Insurance Group BSC, Bahrain) will increase retentions this year, and the Far East, through Singapore and Hong Kong, is now retaining a fair volume of its own business.

The cumulative effect of such withdrawals will eventually be quite considerable, according to one prominent UK reinsurance broker.

Thus the rush to London of the past 10 years is waning. The short cuts of agency or pooling devices which allowed foreign companies to use agents who were encouraged to write a lot of business for quick remuneration is fading.

Companies coming to London now are not in the business of getting rich quick, but are rather consolidating their position in what remains one of the world's premier reinsurance markets. Frankona Rückversicherungs-AG, Munich, for example, has just acquired Hogg Robinson Group PLC's majority in Crosswall Reinsurance Company, London, a small treaty facility founded in 1977 which has now built up annual gross premium income of £6m.

The shape and development of reinsurance markets in London and worldwide depends overall, however, on the central question of whether reinsurers, in search of rewards more commensurate with risks, will attempt to influence ceding commissions in order to obtain meaningful profit and reasonable margins. And if so will ceding firms place business elsewhere?

One London broker feels that if one of the few largest London reinsurers would take a lead, the market as a whole would follow.

Mercantile and General Reinsurance, London, the UK's largest reinsurer, had losses on general business up by £8m to £31m for 1982, and predicts that any return to profitability will be "some way off."

Royal Reinsurance Company, London, has stated that in proportional business it is no longer prepared to support ceding companies if they refuse to accept adjustments to treaty terms to reflect poor recent performance and poor prospects. Royal intends selectively to develop non-proportional business where it can exercise greater influence on primary ratings.

Lynn MacRitchie

'There will be shakeouts—and they may be painful'

Experience the key to survival

THE GROWTH in the number of reinsurance companies operating around the world has been dramatic during the past 20 years.

In the U.S. alone, there has been an increase in the number of licensed reinsurance companies during this period from 44 to 147, producing a tenfold increase in tha surplus dedicated to reinsurance business.

According to the leading U.S. reinsurance group, General Re Corporation, the number of non-licensed (basically non-U.S.) reinsurance companles has grown at least as fast, and ona of the principal dangers to which this has exposed the insurance industry is that experienced reinsurance professionals are very thin on the ground.

To quote General Re's president. Mr Frank Munson, and chairman, Mr Harold Hudson Jr, from their annual statement to shareholders in March: "With more than 75 per cent of the world's reinsurance companies less than 25 years old. experience, the only teacher in this business, bas yet to teach all the lessons. There will be shakeouts—and they may be painful."

General Re is not only the largest U.S.-based reinsurers but also one of the largest in the world. Revenues in 1982 totalled US$1,497.7m, total assets at the end of the year amounted to US$4,741.3m, and shareholders' funds passed the billion-dollar mark for the first time.

More important than General

Company Profiles

Re's size, bowever, is the excellenre of its underwriting record.

Last year, wben most U.S. insurers and reinsurers reported disastrous underwriting losses, General Re was able to contain the deterioration in its North American combined ratio to little more than 1.5 points, bringing it to 101.8 per cent. This was the first year of unsatisfactory underwriting results for General Re since the catastrophic 1974-75 period and only the third underwriting loss in the past 35 years.

General Re's remarkable performance must be ascribed in large part to the company's ability to adhere to tight underwriting standards at a time wben the direct and reinsurance markets in the U.S. have been subjected to exceptionally severe rate-cutting, coupled with its very prudent attitude to reserving for outstanding claims.

With U.S. reinsurance premium increasing only modestly, General Re was nevertheless able to raise property/casualty volume by 6.1 per cent, thanks particularly to the property facultativa and financially oriented treaty sectors.

Part of General Re's competitive strength has lain in its ability to oevelop new products. The facultative department of the company last year introduced, inter alia, the Interest-Guard cover to borrowers to protect them against loss resulting from fluctuations in borrowing costs; water resources insurance to protect hydro-electric installations against loss from drought or inadequate water flow; and loss portfolio transactions to fix costs and free up surplus for ceding companies.

In common with leading companies throughout the industry General Re has recognised the weaknesses inherent in much treaty business and taken steps to eliminate or restrict the most vulnerable sectors.

Inevitably, General Re is having to look outside North America for much of its futura expansion. As yet, although the group bas offices in eight overseas countries, its foreign operations generate less than $250m per annum in net written premiums.

Because of the unsatisfactory nature of the results from some of these territories, General Re is not likely to push excessively for growth in the near term, but it may be significant that at the end of last year a UK subsidiary became operational, with the intention of eventually replacing the UK branch.

Another area where General Re sees attractive opportunities for earnings growth is the sale of underwriting management services, which it is already marketing through North Star Management Corporation and United States Aviation Underwriters (which was acquired last year).

In the United Kingdom, the existence of Lloyd's — the largest singla reinsurance market in the world—has tended to inhibit the development of super-reinsurance companies like General Re or Munich Re.

The composites have been expanding their reinsurance operations in recent years, not always with happy results, and in a few cases these reinsurance offshoots have reached substantial international proportions.

One of the most prominent of these companies is the Prudential's Mercantile and General Reinsurance.

Prominent

By the largest intarnational standards the M and G is still of relatively modest size. Last year total group net premium income amounted to £345m, and published shareholders' funds at the end of the year stood at £50m, excluding unrealised investment appreciation and inner reserves.

The M and G's reported results have suffered recently from a decision to strengthen technical reserves considerably as a protection against the unfavourable insurance environment.

Last year £9m was transferred from inner reserves to deal with the unforeseen development of prior years' claims, including those resulting from such industrial diseases as asbestosis and byssinosis.

In addition, £31.4m was transferred from the profit and loss account in respect of current business. "These provisions have been calculated on a stringent basis and are expected to be adequate to deal with the adverse situation facing us," stated chairman Mr D. M. C. Donald in the 1982 annual report.

"This positioo of strength in our technical reserves enables us to offer with confidence the security which our clients need in their reinsurance contracts."

In common with the other long-established specialist reinsurers, M and G has been laying emphasis on the value of its professionalism and the streogth of its security at a time when donbts about the security of much reinsurance cover are proliferating.

It has turned away unprofitable business and yet, in the last renewal season, was able to complete an encouraging amount of business on the terms proposed by its own underwriters.

Of the massive reinsuranre groups wbich have developed in contioental Europe, the two leaders are the Munich Re and the Swiss Re.

The Municb Re now has annual net premiums in excess of DM 8.0bn (almost U.S.$3bn), reinsurance funds and provisions of more than DM 14.0bn (over U.S.$5.0bn) and general funds in excess of DM 800m (almost U.S.$300m).

Its size and the vast extent of its undisclosed balanre sheet strength have not insulated it from the depredations of the market, however, and its base in one of the most difficult markets in Europe has not helped matters.

In 1981-82 it lost DM 348.5m (U.S.$92m) on reinsurance underwriting, just under half of this deficit being attributable to fire reinsurance. A further DM 38m was allocated to the provision for "expected claims fluctuations" and DM 25m was added as a special item to the provision for outstanding claims. Thanks principally to a massive investment income figure of DM 782.6m (U.S.289m), however, a net profit of DM 45.4m was reported.

The Munich Re now derives almost half of its total premium income from foreign business, and this was heavily loss-making in 1981-82.

Nevertheless the group has no option but to continue expanding outside of the German market, while at the same time using its pre-eminent market position to spearhead a return to more responsible reinsurance underwriting.

Broadly the same observations apply to the Swiss Re, which in 1981 reported consolidated net reinsurance premium income for the group of SwFr 5.5bn (U.S.$2.5bn). Non-life reinsurance underwriting losses have inevitably been increasing, with the collapse of premium rates having been aggravated by social trends such as the increasing incidence of arson in the industrial fire sector and burglary in the household market.

In common with Munich Re and the other leading companies, the Swiss Re has strengthened its resistance to pressure from insurers to reduce rates and ease terms, and it appears that a growing awareness on the part of insurers that security is worth paying for is now working in the leaders' favour. With almost 40 per cent of its gross premiums already coming from outside Europe, the Swiss Re has gone a long way towards securing a truly international base.

Recognising that it was futile to continue pushing for strong premium growth in the conditions prevailing in recent years, Swiss Re's approach has been to stress underwriting selectivity in traditional lines, in some cases (for example quota share motor reinsurance treaties) involving a substantial reduction in volume.

Where growth has come, it has generally been in more specialised and complicated areas. In recent years there has, for example, been quite strong growth in U.S. gross accident premiums.

Peter Stokes

Trevor Humphries

Staff at work in the M and G's Moorfields office in London.

A guide to the new rules

Accounting

THE FIRST statutory returns have now been filed under the 1982 Insurance Acts and it is an appropriate time to summarise the UK insurance accounting requirements and regulations which crystallised in 1983, following several years of amendments.

In summary, the principal changes which have taken place are: substantial alteration to form and content of returns required to be filed by authorised insurers and reinsurers; reinsurers have been brought within the solvency regulations formerly applicable only to direct general business insurers; and life offices are now to be subject to newly introduced solvency regulations.

At the same time financial statements of brokers and other corporate intermediaries have been affected by changes in the Companies Acts.

The commonly known "DOT returns" are the statutory returns required to be filed under the UK Insurance Acts by companies which are authorised to accept UK insurance or reinsurance contracts. Today there are 840 such companies, many of which are branches or subsidiaries of foreign companies.

Hundreds of other foreign insurance companies operate in the UK through representative offices, contact offices and agencies, but such foreign companies do not legally accept in the UK any UK insurances contract and are therefore not subject to regulation by the Department of Trade.

Returns

In addition to the statutory returns required to be filed under the Insurance Acts, all companies operating within the UK are required to file financial returns under the Companies Acts.

Because the supervisory regulations under the Insurance Acts have now been settled and the first returns filed it is possible to identify clearly the principal accounting differences between financial statements filed under the Companies Acts and those filed under the Insurance Acts.

Although recognising these accounting distinctions is of fundamental importance in any serious evaluation of London Market Security, many of the internationally circulated data sheets confine themselves to the very limited and superficial information available from UK Companies Acts returns. This approach is often rationalised on the grounds that DOT authorisation is of itself a sufficient mark of approval and security.

However, this approach may fail to appreciate that the principal function of DOT authorisation and regulation is "protection of the policyholder" and in practical terms this is essentially protection of the domestic consumer of insurance not of international professionals who are presumed to be aware of factors affecting their business relationships.

Confusion in interpreting and reconciling the returns filed under the different UK Acts governing insurance companies is due principally to the consequential effect on shareholders' funds arising from different asset valuation methods adopted and also due to the possibility of different subsidiaries consolidated in each return.

Assets are valued differently according to conservative regulation under the insurance acts but discretionary under the Companies Acts. However, "lower of cost or market" remains the established accounting policy in Companies Acts returns; part of face value of term securities is not a feature of UK Insurance asset accounting.

In the Companies Acts returns class, classification is arbitrary and discretionary and underwriting data is limited and superficial, whereas, under the Insurance Acts, it is rigid with each statutorily specified class requiring a separate comprehensive accounting analysis over numerous specific forms. Some of these differences are illustrated below.

Incurred but not reported claims are required to be disclosed under the Insurance Acts for one year class business and total general business but are not required in any form under the Companies Acts.

In fact there are no specific requirements under the Companies Acts for disclosure of underwriting data by Insurance Companies other than what is required of trading companies generally is a simple balance sheet and profit and loss account.

The Insurance Acts returns now require an extensive analysis of proportional and non-proportional treaty business accepted.

Calculation of the required solvency margin remains a function of the Insurance Acts returns, and not of the Companies Acts returns, with two alternative methods of calculation required to be disclosed, one based on gross premiums and one on claims paid.

Premium portfolios and outstanding claims and loss portfolios are now reported in considerable detail for all classes, and MAT business is analysed for the first time separately for each constituent class, together with an extensive accounting analysis of premiums gross of commissions and reinsurance, and by risk category within each sub class. Companies Acts Regulation is totally silent on the subject, allowing the presentation of selective, limited data.

Claims and loss data generally is sufficiently comprehensive for all classes and sub-classes to identify loss development trends.

Understanding

Class gross premiums are now clearly distinguished in the DOT returns between (i) direct and facultive (ii) treaties accepted (iii) premium portfolios accepted and (iv) claims and loss portfolios. Reinsurance outwards is similarly classified, so allowing a more complete understanding of the composition of net premiums.

The new DOT Form 30 requires disclosure of major reinsurers and major cedants by name; also now being filed are names of co-insurers within the EEC.

Filing of returns under the Companies Acts is required 10 months after year end for public companies and 13 months after year end for non-public companies engaged in international business, but all insurers and reinsurers must be filed within six months under the Insurance Acts.

In the case of Companies Act returns, supervision and control by the Registrar of Companies remains weak by international standards whereas, under the Insurance Act, supervision and control is taken more seriously.

If there are any advantages of Companies Act returns over Insurance Acts returns then these will continue to be in the area of corporate data generally, rather than in underwriting or security / credit analysis, ie details from the chairman's statement and shareholder returns.

Companies Acts returns do not require disclosure of underwriting data, and for that reason comparative assessment using Companies Acts returns is recognised as being of limited validity.

There remain several areas under the new Insurance Act returns which continue to allow those so inclined sufficient discretion to achieve some degree of desired result that is in the accounting treatment of management expenses, investment income and currency conversion.

Management expenses may be charged to either the revenue account or the corporate profit and loss account and unless one takes account of the exact location it is not possible to compare validly the underwriting performance of one company against another or even a trend within a company.

Further, the definition of investment income remains ambiguous and discretionary and its location within the accounts is also discretionary. For that reason any corporate or underwriting result after investment income must necessarily be questionable if used for the purpose of comparative performance.

Nevertheless, pre-interest underwriting results and pre-interest corporate results can, subject to the normal caveat concerning the basis of establishing technical reserves, produce meaningful comparative data across the industry for each class of business.

Investment income may include/exclude realised investment profits or include/exclude unrealised investment profits.

Whichever method is used there is no consistency in method used to account for the resulting "investment income." It may be in the revenue a/c or the corporate profit and loss a/c, or partially in both. Credit to the corporate profit loss a/c is the norm but there is no consistency on whether this is above or below the line.

Further, some companies account for realised and/or unrealised investment profits direct through reserves. Exchange differences on currency movements also lack consistency in accounting treatment.

For these reasons one must be very sceptical in forming judgments based on corporate pre-tax levels, unless the variable accounting practices and policies are recognised.

Nevertheless, despite minor weaknesses in the new accounting regulations, they are a substantial improvement on previous requirements and the international market interested in London market security now has access to a more reliable source of security data. Indeed, the Financial Times itself, through its Business Information division, is now marketing the first independent analysis service of secondary data extracted from the 1979-82 DOT Returns.

Peter Anderson